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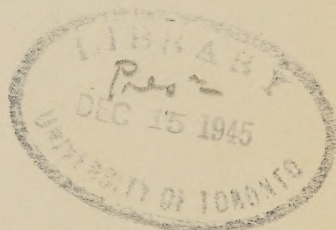
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INDUSTRIAL DEVELOPMENT BANK



ANNUAL REPORT TO
MINISTER OF FINANCE
AND
STATEMENT OF ACCOUNTS

SEPTEMBER 30TH, 1945



Government
Publications

INDUSTRIAL DEVELOPMENT BANK

INCORPORATED UNDER THE INDUSTRIAL DEVELOPMENT BANK ACT, 1944

HEAD OFFICE—OTTAWA, ONT.

GENERAL MANAGER'S OFFICE—MONTREAL, QUE.

BOARD OF DIRECTORS

G. F. TOWERS, C.M.G.
President

OTTAWA, ONT.

E. G. BAKER

TORONTO, ONT.

W. D. BLACK
Member of the Executive Committee

HAMILTON, ONT.

W. C. CLARK, C.M.G.
Member of the Executive Committee

OTTAWA, ONT.

G. G. COOTE

NANTON, ALTA.

D. GORDON, C.M.G.
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PORT ELGIN, N.B.

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A. STEWART McNICHOLS

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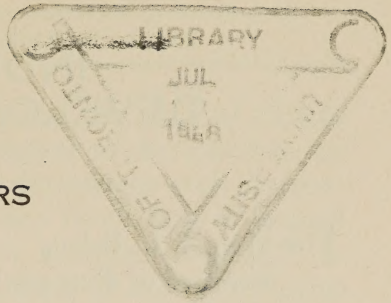
OTTAWA, ONT.

E. J. TARR, K.C.

WINNIPEG, MAN.

A. C. TAYLOR

VANCOUVER, B.C.



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President

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General Manager

D. G. MARBLE
Secretary

H. R. EXTENCE
Chief Accountant

General Manager's Office

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General Manager

A. N. H. JAMES
Executive Assistant

E. G. ADAMS
Chief, Investigation Department

Branches

TORONTO, ONTARIO, 304 BAY STREET: J. C. INGRAM
Supervisor

VANCOUVER, B.C., 732 GRANVILLE STREET: N. C. TOMPKINS
Supervisor

INDUSTRIAL DEVELOPMENT BANK

Ottawa, December 5th, 1945.

The Hon. J. L. Ilsley,
Minister of Finance,
Ottawa.

Dear Sir,

In accordance with the provisions of the Industrial Development Bank Act, I am enclosing herewith in duplicate a statement of the Bank's accounts for the fiscal year ending September 30th, 1945, signed by the President and Chief Accountant and certified by the Auditors.

The statute provides that this statement should be accompanied by such summary or report by the President as he may deem desirable or as may be required by the Minister of Finance. In the report which follows I propose to give a general description of the Bank's operations during the year and to include the classification of its loans and investments which the statute provides shall be published at least once in each fiscal year.

INTRODUCTION

The Industrial Development Bank was established under the authority of the Industrial Development Bank Act approved August 15th, 1944. Section 34 of the statute provided for its coming into force by proclamation and with the exception of Section 15 the Act was proclaimed in force as of September 30th, 1944. Due to the fact that Section 15 of the Act empowering the Bank to make loans and investments was proclaimed in force on November 1st, 1944, this first report on the Bank's activities covers an operating period of eleven months.

Section 12(2) of the Act required the Bank of Canada to subscribe for the authorized capital of \$25,000,000, of which \$10,000,000 was paid up in accordance with the provisions of the Act when it came into force. It was deemed appropriate that capital funds not currently required for business purposes be invested in securities of the Government of Canada as authorized under Section 24(a) of the Act. As at September 30th our holdings of Dominion Government securities amounted to \$8,947,750.35, as shown on the balance sheet.

LOANS AND INVESTMENTS

During the year the Bank received 485 applications for credit from applicants who qualified as "industrial enterprises" within the meaning of the Act. Of these, 228 were withdrawn while the applications were in process of examination, presumably because credit had been obtained from other sources or because the applicants had decided not to go ahead with their programmes. Of the remaining eligible applications, 160 were refused by the Bank because they did not fulfil the requirements of the Act that a sufficient amount of capital must be invested by persons other than the Bank to afford the Bank reasonable protection or because the projects in question were not reasonably likely to prove successful. In all, 97 applications for credit were authorized by the Bank, representing a total authorized amount of \$4,150,050, of which \$952,000 was subsequently withdrawn at the request of the applicants. As at September 30th therefore, there were 80 authorized credits on the books of the Bank totalling \$3,198,050, of which \$871,752 was outstanding as shown by the balance sheet.

The credits which this Bank has authorized have been for an average term of five years, and, as is indicated by the following classification made pursuant to Section 29(2) of

INDUSTRIAL DEVELOPMENT BANK

the Act, have been widely distributed among the various types of industrial enterprises and by provinces.

CLASSIFICATION OF LOANS AND INVESTMENTS

30TH SEPTEMBER 1945

A. BY INDUSTRIAL ENTERPRISES

	<u>Authorized</u>	<u>Outstanding</u>
1. Foods and Beverages.....	\$ 342,500	\$ 75,989
2. Textiles and Apparel.....	793,250	279,210
3. Lumber and Wood Products	325,300	146,922
4. Iron, Steel and Metal Products	316,000	62,804
5. Machinery and Equipment.....	539,000	106,106
6. Stone, Clay and Glass Products	341,000	80,992
7. Refrigeration	316,000	50,000
8. Other	225,000	69,729
	<u>\$3,198,050</u>	<u>\$871,752</u>

B. BY PROVINCES

Prince Edward Island.....	—	—
Nova Scotia	\$ 115,000	—
New Brunswick	200,000	\$ 66,064
Quebec	1,052,500	459,912
Ontario	1,192,550	212,189
Manitoba	335,000	105,000
Saskatchewan	30,000	17,100
Alberta	135,500	—
British Columbia and Territories	137,500	11,487
	<u>\$3,198,050</u>	<u>\$871,752</u>

As will be apparent from the above statistics the average size of the authorized credits on the books of the Bank as at September 30th was \$39,976. The number and amount of authorized credits, classified by size, were as follows at September 30th:

INDUSTRIAL DEVELOPMENT BANK

	Number Authorized	Amount Authorized
\$ 5,000 and under.....	9	\$ 37,800
\$ 5,001 to \$ 25,000.....	34	550,500
\$ 25,001 to \$ 50,000.....	17	667,750
\$ 50,001 to \$100,000.....	14	1,052,000
\$100,001 to \$200,000.....	6	890,000
over \$200,000.....	—	—
	<u>80</u>	<u>\$3,198,050</u>

RATES OF INTEREST

All credits authorized by the Bank during the year bore a rate of interest of five per cent per annum.

PROFIT AND LOSS

During its first fiscal year when for various reasons to which I shall refer later, the amount of loans and investments outstanding was relatively small, the major portion of the Bank's assets was invested in Dominion Government securities and much the larger part of our earnings came from this source. The attached Statement of Profit and Loss shows that the Bank's total earnings were \$308,509.05, of which \$297,952.81 was on Government securities and \$10,556.24 on loans and investments. Total operating expenses during the year of which the details are shown in the attached statement, amounted to \$110,666.26, leaving net operating earnings, therefore, of \$197,842.79.

No write-offs or specific appropriations for losses were deemed by the Bank and its Auditors to be required against its loans and investments as of September 30th. But in view of the limited period during which the Bank has been operating, the type of lending in which it is engaged and the probable increase in its operations in the following year, it was deemed proper to set aside \$100,000 of this year's net

earnings to Contingency Reserve by way of a general provision for losses. The remaining \$97,842.79 of net earnings has been transferred to Reserve Fund in accordance with Section 26(2) (i) of the Act. On the attached balance sheet, Contingency Reserve has been applied to reduce the book value of the item "Loans and Investments".

STAFF

At the first meeting of the Board of Directors, Mr. S. R. Noble, O.B.E., was appointed General Manager and given the responsibility of organizing and operating the Bank. As Assistant General Manager of The Royal Bank of Canada for a number of years prior to taking up his present post, Mr. Noble had wide experience in the extension of credit in Canada and other countries. During most of the war years, his services were made available to the Government as Vice-President of Commodity Prices Stabilization Corporation and Special Adviser to the Wartime Prices and Trade Board. I believe that we can be counted most fortunate in having secured the services of a banker with such long and varied executive experience.

While conditions which prevailed at the time the Bank came into existence did not permit the rapid recruitment of staff, by September 30th the personnel numbered 26, of whom 13 were men and 13 women. It is with pleasure that I record my appreciation of the extra effort put forth by the staff during the strenuous period of organization.

OFFICES

During the course of the year the General Manager's Office was established in Montreal and branches located in Toronto and Vancouver. Credit applications from British Columbia and Alberta are handled through the Vancouver office, applications from Ontario, west of Ottawa and

Kingston, are handled through Toronto and applications from other areas through the General Manager's Office in Montreal.

The Bank's policy in establishing offices is determined by the number of applications for credit which it receives from the various parts of the country. There are two reasons why we do not believe that it is practical or wise to locate branches in areas from which few applications originate. For one thing, the expenses of such offices would be high in relation to the volume of business done; and while the expense ratio should not be the sole determining factor, it must be borne in mind. The second consideration is that it would not be possible to retain the services of the type of men required by the Bank at such points unless they could be kept fully occupied.

GENERAL

Since the commencement of the Bank it has operated almost entirely under wartime conditions. Scarcities of labour, materials and equipment were the general rule rather than the exception. As a result, relatively few industrial enterprises were in a position to proceed with actual reconversion and post-war expansion programmes, although the same relative shortage of certain goods presented an attraction to expand. In spite of the limited number of projects which were actually able to get under way during the past year I feel that the Bank's activities during this period have served a useful purpose and that it has gained valuable experience with which to operate on a larger scale as conditions may require.

The Bank's function is to extend financial assistance to industrial enterprises in cases where it is the opinion of the Bank that credit would not otherwise be available on reasonable terms and conditions and where the amount of capital

invested by the owners is such as to afford the Bank reasonable protection. There is no sharp, easily-apparent line of division between the field where credit is available from other lenders and that in which the Bank operates. The credits authorized by the Bank have, for the most part, been for a longer period of time than normally is regarded as appropriate for commercial banks, and for amounts not large enough to warrant the cost of a public issue of securities. To the extent that these features are not too prominent in the borrower's requirements, credit may be obtained in worthy cases from other lenders without resort to the Bank. In what may be called border-line cases, applications are often made to the Bank which, in the course of our investigation, turn out to be attractive to other lenders. The number of such cases indicates that the Bank's activities have served a useful purpose even if the results are not reflected in its own balance sheet. These factors all emphasize the point, however, that of necessity the Bank operates in a field where risks are greater than average and where operating costs tend to be high in relation to retained volume of business.

There has not yet been sufficient time to prove that a worthwhile volume of business will be maintained or that the Bank can operate on a self-supporting basis—but nothing of a discouraging character has shown itself—and I feel that the situation I have described tends to support the belief expressed before the Banking and Commerce Committee during the passage of the Bill, that there is a need for such a Bank in Canada.

I am,

Dear Sir,

Yours faithfully,

G. F. TOWERS,

President.

INDUSTRIAL DEVELOPMENT BANK

STATEMENT OF ASSETS AND LIABILITIES

as at 30th September 1945

LIABILITIES

CAPITAL:

Authorized—250,000 shares, par value \$100.00 each	\$25,000,000.00
Issued and Paid-up	10,000,000.00
RESERVE FUND	97,842.79
ALL OTHER LIABILITIES	8,588.69
	<u>\$10,106,431.48</u>

ASSETS

CASH ON HAND AND DEPOSITS WITH OTHER BANKS . . \$	204,390.80
DOMINION GOVERNMENT SECURITIES: at values not exceeding market	8,947,750.35
LOANS AND INVESTMENTS	871,752.60
ALL OTHER ASSETS	82,537.73
	<u>\$10,106,431.48</u>

G. F. TOWERS,
President

H. R. EXTENCE,
Chief Accountant

AUDITORS' REPORT

We have examined the above Statement of Assets and Liabilities of the Industrial Development Bank as at 30th September 1945 and have received all the information and explanations we have required. We report that, in our opinion, it is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs as at that date, according to the best of our information, the explanations given to us and as shown by the books of the Bank.

E. J. HOWSON, C.A.,
of the firm Thorne, Mulholland,
Howson & McPherson.

MAURICE SAMSON, C.A.,
of the firm Chartré, Samson,
Beauvais, Gauthier & Cie.

INDUSTRIAL DEVELOPMENT BANK

PROFIT AND LOSS ACCOUNT

Fiscal year ending September 30th, 1945

EARNINGS

On Dominion Government Securities	\$297,952.81	
On Loans and Investments	10,556.24	
All Other	—	308,509.05

OPERATING EXPENSES:

Salaries (including cost of living bonus)	67,443.61	
Pension Fund and Unemployment Insurance	4,157.59	
Investigation and Supervision Expenses (including travel)	6,341.88	
Travelling Expenses (general) . . .	6,565.69	
Premises and Equipment (including depreciation)	1,179.81	
Stationery and Printing	4,040.23	
Directors' Fees	5,800.00	
Auditors' Fees and Expenses . . .	2,000.00	
All Other Operating Expenses . . .	13,137.45	110,666.26

NET OPERATING EARNINGS		<u>\$197,842.79</u>
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APPROPRIATED AS FOLLOWS:

To Contingency Reserve	\$100,000.00	
Balance to Reserve Fund	<u>97,842.79</u>	<u>\$197,842.79</u>

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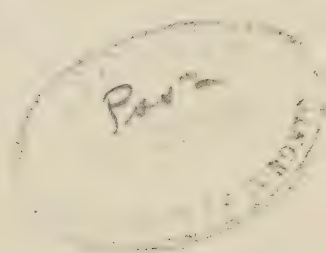
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INDUSTRIAL
DEVELOPMENT BANK



ANNUAL REPORT TO
MINISTER OF FINANCE
AND
STATEMENT OF ACCOUNTS

1945-46

SEPTEMBER 30TH, 1946

INDUSTRIAL DEVELOPMENT BANK

INCORPORATED UNDER THE INDUSTRIAL DEVELOPMENT BANK ACT, 1944

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GENERAL MANAGER'S OFFICE — MONTREAL, QUE.

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General Manager

A. N. H. JAMES
Executive Assistant

Branches

TORONTO, ONT., 85 RICHMOND ST. WEST: J. C. INGRAM
Supervisor

VANCOUVER, B.C., 736 GRANVILLE STREET: N. C. TOMPKINS
Supervisor

WINNIPEG, MAN., 356 MAIN STREET: D. T. MUSKETT
Supervisor

INDUSTRIAL DEVELOPMENT BANK

Ottawa, December 9th, 1946.

The Rt. Hon. J. L. Ilsley, P.C.,
Minister of Finance,
Ottawa.

Dear Sir,

In accordance with the provisions of the Industrial Development Bank Act, I am enclosing herewith in duplicate a statement of the Bank's accounts for the fiscal year ending September 30th, 1946, signed by the President and Chief Accountant and certified by the Auditors.

The statute provides that this statement should be accompanied by such summary or report by the President as he may deem desirable or as may be required by the Minister of Finance. In this second annual report I propose to give a general description of the Bank's operations during the year and to include the classification of its loans and investments which the statute provides shall be published at least once in each fiscal year.

CAPITAL

When it became evident towards the end of the fiscal year that the loans authorized would approach the paid-up capital, the Bank of Canada was called upon to pay for 50,000 additional shares of its subscription under the provisions of Section 12, Sub-section 2 of the Act, thus increasing the paid-up capital of the Bank to \$15,000,000 on September 30th.

INDUSTRIAL DEVELOPMENT BANK

LOANS AND INVESTMENTS

During the first fiscal year of the Bank's operations, which covered a period of only eleven months, 485 applications for credit were received from applicants who qualified as "industrial enterprises" within the meaning of the Act and of these, 228, or nearly half, were withdrawn while the applications were in process of examination. That a large portion of these applications were of an exploratory character seems evident from a comparison with similar statistics covering the twelve months ended September 30th, 1946, when out of 409 eligible applications received only 105 were withdrawn before the examinations had been completed. Of the remaining applications eligible as "industrial enterprises", 169 credits totalling \$7,901,353 were authorized, 103 were declined as unjustifiable risks, and 32 were in the process of investigation on September 30th.

The following statements show the volume of transactions concluded by the Bank since its inception:

	<u>Number</u>	<u>Amount</u>
Loans and Investments authorized up to		
September 30th, 1945.....	97	\$ 4,150,050
Authorized during 1946 fiscal year.....	169	7,901,353
Total Loans and Investments authorized	266	\$12,051,403
Less:		
Cancellations of authorizations and reductions in amounts authorized.....	53	2,134,500
Authorizations which have lapsed by reason of full repayment of loans.....	8	172,800
Authorizations which have been reduced by reason of partial repayments.....		347,429
Commitments as at September 30th, 1946	<u>205</u>	<u>\$ 9,396,674</u>

INDUSTRIAL DEVELOPMENT BANK

	<u>Amount</u>
Disbursements under authorized Loans and Investments up to September 30th, 1945	\$ 992,569.07
Disbursements during 1946 fiscal year-----	<u>4,610,362.30</u>
Total Disbursements -----	\$5,602,931.37
<i>Less:</i>	
Repayments received up to September 30th, 1945 -----	18,648.61
Repayments during 1946 fiscal year-----	<u>461,580.45</u>
Loans and Investments September 30th, 1946, as shown on the attached balance sheet -----	<u>\$5,122,702.31</u>

It will be observed from the foregoing that out of a total of \$9,396,674 authorized as at September 30th, \$4,273,972 had not been utilized by borrowers. It is the practice to make disbursements only as funds are required. In most cases loans are made for capital purposes, such as the erection of or additions to buildings, the purchase of machinery, etc., and since it is natural that applicants wish to have financing arranged in advance, it follows that there will always be a lag between the authorization and the utilization of credits.

The statements include 53 authorizations which have been cancelled subsequent to authorization at the request of the applicants and 8 repaid in full after final disbursements had been made. In a number of these cases credit had become available from other sources, and in others applicants had postponed, modified or abandoned their plans.

Unquestionably, a number of withdrawals of applications and cancellations of credits outstanding, as well as some of the delays in the use of credits, to which references have been made above, were influenced by the continued scarci-

INDUSTRIAL DEVELOPMENT BANK

ties of labour and materials for construction purposes and delays in acquiring various kinds of machinery and equipment. We may expect that when these conditions improve fresh applications will be received to enable borrowers to carry out their projects.

CLASSIFICATION OF LOANS AND INVESTMENTS

SEPTEMBER 30TH, 1946

A. BY INDUSTRIAL ENTERPRISES

	Authorized Amount	%	Outstanding Amount	%
1. Foods and Beverages.....	\$1,317,249.19	14.1	\$ 819,692.84	16.0
2. Primary Textiles	705,000.00	7.5	382,930.00	7.5
3. Finished Textile Products.....	344,214.17	3.7	257,622.16	5.0
4. Pulp and Paper Products.....	294,500.00	3.1	97,500.00	1.9
5. Primary Lumber Products.....	502,000.00	5.4	220,268.62	4.3
6. Furniture and Woodenware.....	817,866.62	8.7	308,935.83	6.0
7. Agricultural and Industrial Machinery	911,256.78	9.7	353,470.78	7.0
8. Automotive Equipment	350,600.00	3.7	200,600.00	3.9
9. Miscellaneous Metal Products	1,323,784.99	14.1	700,968.07	13.7
10. Builders' Supplies	744,796.92	7.9	622,715.11	12.2
11. Ceramics, Glass and Plastic Products	218,055.00	2.3	163,518.10	3.2
12. Chemical Products	336,808.75	3.5	264,838.29	5.1
13. Refrigeration	643,880.83	6.8	377,845.32	7.4
14. Other	886,660.69	9.5	351,797.19	6.8
	<u>\$9,396,673.94</u>	<u>100.0</u>	<u>\$5,122,702.31</u>	<u>100.0</u>

B. BY PROVINCES

	Authorized Amount	Outstanding Amount
Prince Edward Island.....	\$ —	\$ —
Nova Scotia	234,000.00	194,000
New Brunswick	289,000.00	248,007
Quebec	3,641,530.18	1,636,402
Ontario	3,535,568.34	1,867,641
Manitoba	409,999.17	335,744
Saskatchewan	67,819.00	15,551
Alberta	742,062.12	715,862
British Columbia and Territories.....	476,695.13	109,495
	<u>\$9,396,673.94</u>	<u>\$5,122,702</u>

INDUSTRIAL DEVELOPMENT BANK

The average size of the authorized credits on the books of the Bank as at September 30th was \$45,837.43, the average term five years; the shortest term was under one year and the longest term fifteen years.

The number and amount of authorized credits classified by size were as follows at September 30th, 1946:

	<u>Number</u>	<u>Amount</u>
\$ 5,000 and under-----	26	\$ 94,347.26
\$ 5,001 to \$ 25,000-----	84	1,097,659.00
\$ 25,001 to \$ 50,000-----	39	1,456,251.43
\$ 50,001 to \$100,000-----	30	2,199,929.42
\$100,001 to \$200,000-----	21	3,098,486.83
over \$200,000-----	5	1,450,000.00
	<u>205</u>	<u>\$9,396,673.94</u>

PROFIT AND LOSS

Earnings for the year amounted to \$427,322.90 as compared with 1945 earnings of \$308,509.05. Interest on loans and investments, other than Dominion Government securities, naturally showed a sharp increase over the first fiscal period, rising from \$10,556.24 to \$138,172.12. While average holdings of Dominion Government securities declined by \$2,203,138 on the year, revenue of \$289,150.78 from this source continued to form an important part of total earnings.

Total operating expenses during the year, of which details are shown in the attached statement, amounted to \$185,604.72, including contributions to Pension Fund and depreciation of office equipment, as compared with \$110,666.26 in 1945. The net operating earnings for the fiscal year 1946 amounted to \$241,718.18 as compared with net operating earnings in 1945 of \$197,842.79.

INDUSTRIAL DEVELOPMENT BANK

No write-offs or specific appropriations for loans were deemed by the Bank or its Auditors to be required against its loans and investments as at September 30th, 1946. In my report to you of December 5th, 1945, I referred to the treatment of appropriations from profits to contingency reserves and stated that it had been deemed wise to set aside \$100,000 of the 1945 fiscal year's earnings to contingency reserve by way of a general provision for losses. On the 1945 balance sheet, the item Loans and Investments was reduced by the amount of the contingency reserve. After reconsideration of this procedure, the Board reached the conclusion that it would be preferable for an institution of this character to show all reserves in the balance sheet. As a result of this decision, the net operating earnings of the 1946 fiscal year together with the amount formerly in contingency reserve, have been added to Reserve Fund, which now stands at \$439,560.97, and the asset Loans and Investments appears on the attached balance sheet at the actual amount outstanding.

STAFF

The business of the Bank is a rather highly specialized undertaking. Practically all applications are investigated at the applicant's place of business and the form of security to be held by the Bank, as well as the terms of payment of loans, are tailored to suit individual cases. For this reason a number of specialists are employed. The General Manager and the senior executive officers at each branch previously occupied senior positions with commercial banks or trust companies; each office also has on its staff an experienced industrial engineer and those in Montreal and Toronto have qualified assistants. The Bank also employs three lawyers, three chartered accountants, and an insurance expert.

It is with pleasure that I record my appreciation of the high quality of the service rendered by the staff during the

INDUSTRIAL DEVELOPMENT BANK

past year. Since my last report the personnel of the Bank has increased to 44, of whom 27 are men and 17 women.

OFFICES

As a result of arrangements completed during the fiscal year, an office was established in Winnipeg on October 1, 1946, to service that part of Ontario west of Sault Ste. Marie, and the provinces of Manitoba and Saskatchewan.

While it may seem that four branches would give an inadequate coverage to the whole of Canada, it should be recalled that representatives of the Bank visit the plants of prospective borrowers. Moreover, when an officer makes a trip to points at some distance from our branches the public is advised through the press in advance, so that interested parties may have the opportunity to discuss their problems.

GENERAL

Your attention is directed to the fact that the average term of all loans outstanding is approximately five years. In individual cases, advances have been made for longer terms but, generally speaking, borrowers have been encouraged to repay advances as rapidly as is reasonably possible.

In addition to the work performed in connection with loans granted by the Bank, the staff has spent some time and, I believe, rendered valuable service in advising prospective borrowers who have subsequently arranged their financing with other lending agencies. Through continuous contact with borrowers, the Bank has also been able to assist a number of its clients in financial, engineering, accounting and insurance matters.

During the past year there has been evidence of an increasing willingness on the part of other lenders to make long term credit available to industrial enterprises. Some lenders have been prepared to lengthen the period of time

previously regarded as desirable for the repayment of advances, and others have modified their views regarding the types of security against which such loans could suitably be made. These considerations seem to apply whether borrowing takes place through the public issue of securities or from commercial banks or insurance or mortgage companies. In part, this arises out of the desire to seek profitable employment of funds, but it seems probable that the availability of the Bank's facilities has also exerted an influence. It is not suggested that there is anything undesirable or improper in this attitude of other lenders nor that imprudent risks are being assumed—in fact, as long as such loans do not become too prominent a part of an individual lender's portfolio they make an important contribution to the general economy of the country. But I emphasize again that, because of these factors, the field in which the Bank must operate is one where risks are greater than average and where operating costs tend to be high in relation to the loans retained.

The volume of business is increasing gradually, if slowly, and I believe from the character and diversity of the applications received that there is not only a need for the Bank in Canada but that it is likely to be able to operate on a self-supporting basis.

I am,

Dear Sir,

Yours faithfully,

G. F. TOWERS,

President.

INDUSTRIAL DEVELOPMENT BANK

STATEMENT OF ASSETS AND LIABILITIES

as at September 30th, 1946

LIABILITIES

CAPITAL:

Authorized — 250,000 shares, par value \$100.00 each	\$25,000,000.00
Issued and Paid-up	\$15,000,000.00
RESERVE FUND	439,560.97
ALL OTHER LIABILITIES	20,601.21
	<u>\$15,460,162.18</u>

ASSETS

CASH ON HAND AND DEPOSITS WITH OTHER BANKS	\$ 30,875.61
DOMINION GOVERNMENT SECURITIES: at values not exceeding market	10,151,331.11
LOANS AND INVESTMENTS	5,122,702.31
ALL OTHER ASSETS	155,253.15
	<u>\$15,460,162.18</u>

G. F. TOWERS,
President

H. R. EXTENCE,
Chief Accountant

AUDITORS' REPORT

We have examined the above Statement of Assets and Liabilities of the Industrial Development Bank as at 30th September 1946 and have received all the information and explanations we have required. We report that, in our opinion, it is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs as at that date, according to the best of our information, the explanations given to us and as shown by the books of the Bank.

E. J. HOWSON, F.C.A.,
of the firm, Thorne, Mulholland,
Howson & McPherson.

MAURICE SAMSON, C.A.,
of the firm, Chartré, Samson,
Beauvais, Gauthier & Cie.

INDUSTRIAL DEVELOPMENT BANK

PROFIT AND LOSS ACCOUNT

Fiscal year ending September 30th, 1946

EARNINGS

On Dominion Government Securities	\$289,150.78	
On Loans and Investments . . .	138,172.12	
All Other	—	\$427,322.90

OPERATING EXPENSES

Salaries	\$128,487.29	
Pension Fund and Unemployment Insurance	9,263.67	
Investigation and Supervision Expenses (including travel) . . .	10,944.46	
Travelling Expenses (general) . .	3,166.36	
Rental and Other Costs, Leased Premises	11,917.39	
Depreciation of Office Equipment	1,768.40	
Telephones and Telegrams . . .	2,805.86	
Office Supplies and Expenses . .	4,194.50	
Directors' Fees	4,400.00	
Auditors' Fees and Expenses . . .	3,661.43	
All Other Operating Expenses . .	4,995.36	185,604.72

NET OPERATING EARNINGS TRANSFERRED
TO RESERVE FUND

\$241,718.18

RESERVE FUND

Fiscal year ending September 30th, 1946

Balance at credit, September 30th, 1945	\$ 97,842.79
Transferred from Contingency Reserve	100,000.00
Net Operating Earnings, transferred from Profit and Loss Account	241,718.18
BALANCE AT CREDIT, SEPTEMBER 30TH, 1946	<u>\$439,560.97</u>

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Publications

INDUSTRIAL DEVELOPMENT BANK

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Annual Report to the Minister of Finance

AND STATEMENT OF ACCOUNTS

Fiscal year **1947**

1946/47



INDUSTRIAL DEVELOPMENT BANK

idb

The Industrial Development Bank, subsidiary of the Bank of Canada established by Act of Parliament August 15th, 1944, commenced operations on November 1st, 1944. Its purpose is to extend financial assistance to sound industrial enterprises which are unable to obtain their requirements from other sources on reasonable terms and conditions. It is intended to supplement, rather than to compete with the activities of chartered banks and other lending organizations, and operates chiefly in the medium and long-term field.

Ottawa, December 9, 1947

The Hon. D. C. Abbott, M.P.,
Minister of Finance,
Ottawa.

Dear Sir, In accordance with the provisions of the Industrial Development Bank Act, I am enclosing herewith in duplicate a statement of the Bank's accounts for the fiscal year ended September 30, 1947, signed by the President and Chief Accountant and verified by the auditors.

The statute provides that this statement should be accompanied by such summary or report by the President as he may deem desirable or as may be required by the Minister of Finance.

I think it would be of value in this third annual report not only to review the statistics pertaining to this past fiscal year's operations but to include, where relative, the statistics of previous operating periods since the Bank's inception. By so doing it will be possible to view the manner in which the work of the Bank has been developing. I am also including the classification of its loans, investments and guarantees which the statute provides shall be published at least once in each fiscal year.

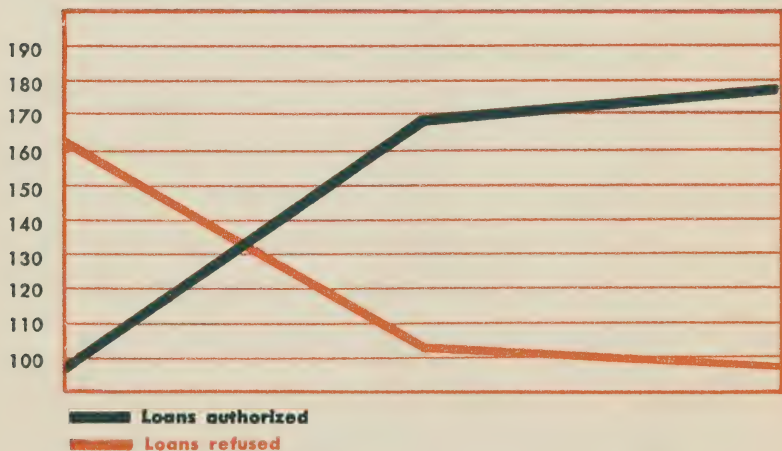
Capital Towards the end of the 1947 fiscal year it became evident that the Bank's outstanding loans and investments

TREND IN NUMBER OF LOANS AUTHORIZED AND REFUSED

1945

1946

1947



other than Dominion Government securities, would soon approach the figure of \$15,000,000, which was then the amount of its paid-up capital. Moreover, in connection with loans and investments already authorized, the Bank was committed to disburse a sum considerably in excess of the amount of its paid-up capital. Accordingly, the Bank of Canada was called upon to pay for the remaining 100,000 shares of its subscription under the provisions of Section 12, sub-section 2 of the Act, thus bringing the paid-up capital of the Bank to its full authorized amount of \$25,000,000 as at September 30, 1947.

Loans, Investments and Guarantees. The following table shows the number of applications which the Bank has dealt with each year, classifying them as between authorized, refused and withdrawn.

NUMBER OF APPLICATIONS DEALT WITH

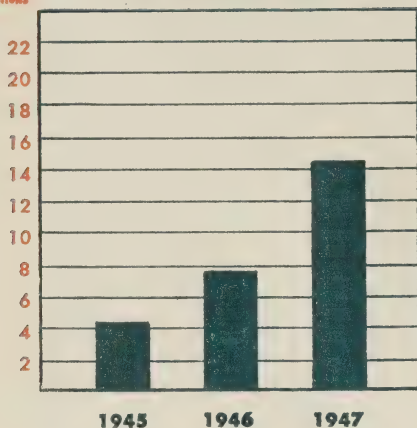
	Fiscal Year <u>*1945</u>	<u>1946</u>	<u>1947</u>
Authorized	97	169	177
Refused	160	103	97
Withdrawn	<u>228</u>	<u>105</u>	<u>113</u>
	<u>485</u>	<u>377</u>	<u>387</u>

*11 months only

It will be noted that the number of applications which have been withdrawn or refused has been very much less in the second and third years of the Bank's operation than in its first fiscal year. I believe that the explanation is that borrowers now have a clearer understanding of the function which the Bank is

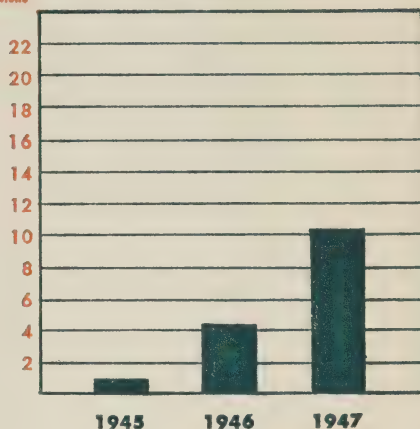
AUTHORIZATIONS

\$ Millions



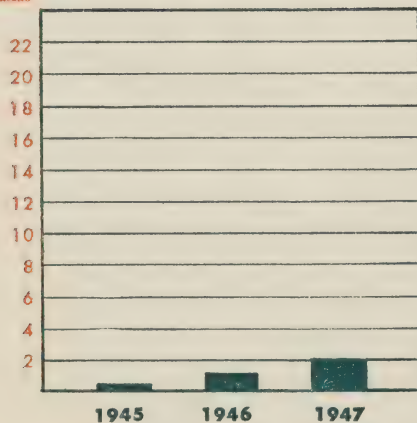
DISBURSEMENTS

\$ Millions



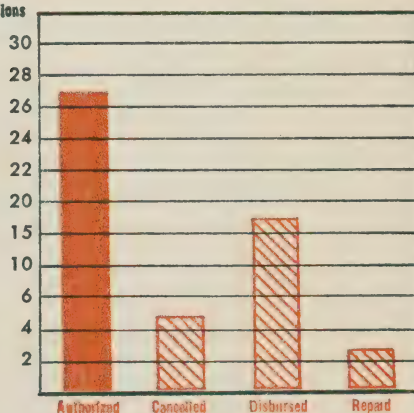
REPAYMENTS

\$ Millions



VOLUME OF TRANSACTIONS SINCE THE BANK'S INCEPTION

\$ Millions



expected to perform and consequently of the type of application to which it is able to give favourable consideration. The number of applications authorized by the Bank increased slightly during its 1947 fiscal year as compared with 1946. There were also at September 30, 1947, 45 applications still in process of examination.

The following statement gives the extent of the Bank's lending business since its inception.

	NUMBER	AMOUNT
<i>Loans, investment & guarantees authorized:</i>		
November 1, 1944 to September 30, 1946	266	\$12,051,403
October 1, 1946 to September 30, 1947 .	<u>177</u>	<u>14,684,406</u>
Total	<u>443</u>	<u>\$26,735,809</u>
LESS :		
<i>Cancellations of authorizations and reductions in amounts authorized:</i>		
November 1, 1944 to September 30, 1946	53	\$ 2,134,500
October 1, 1946 to September 30, 1947 .	<u>41</u>	<u>2,273,925</u>
Total	94	\$ 4,408,425
<i>Authorizations which have been reduced by reason of partial repayment:</i>		
November 1, 1944 to September 30, 1946		\$ 347,429
October 1, 1946 to September 30, 1947 .		<u>1,071,468</u>
Total		\$ 1,418,897
<i>Authorizations which have lapsed by reason of full repayments of loans:</i>		
November 1, 1944 to September 30, 1946	8	\$ 172,800
October 1, 1946 to September 30, 1947 .	<u>19</u>	<u>977,650</u>
Total	27	\$ 1,150,450
Net Authorizations as at September 30, 1947	322	\$19,758,037

Disbursements:

November 1, 1944 to September 30, 1946	\$ 5,602,931
October 1, 1946 to September 30, 1947 .	<u>10,167,723</u>
Total	\$15,770,654

LESS:

Repayments:

November 1, 1944 to September 30, 1946	\$ 480,229
October 1, 1946 to September 30, 1947 .	<u>1,960,430</u>
Total	\$ 2,440,659

Outstanding:

Loans, investments and guarantees as at	
September 30, 1947	\$13,329,995

Although, as mentioned above, the number of applications authorized by the Bank increased only slightly in 1947 as compared with 1946, the total dollar amount authorized in 1947 was greater than the combined total of the two previous fiscal years.

The difference between net authorized and outstanding amount in the statement above, arises out of the natural desire of applicants who are about to embark upon a programme of expansion to have their financing arranged in advance, and the policy of the Bank to make disbursements only as funds are required, creating an inevitable lag between the authorization and utilization of credits. Repayments, it will be noted, continue at a very satisfactory rate.

Classification of Loans, Investments and Guarantees

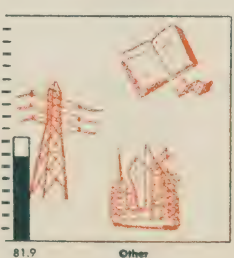
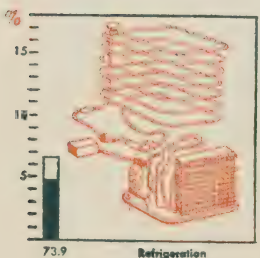
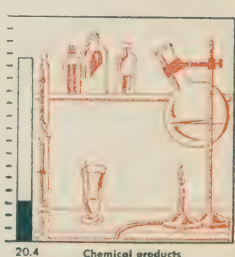
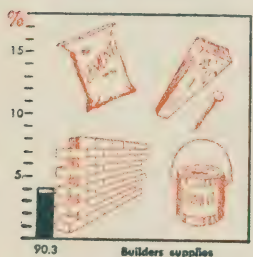
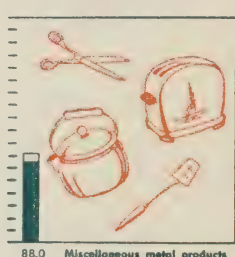
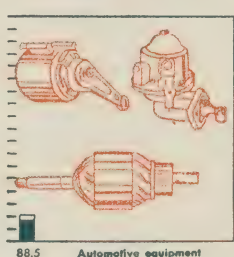
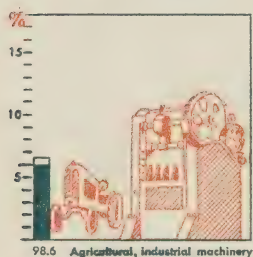
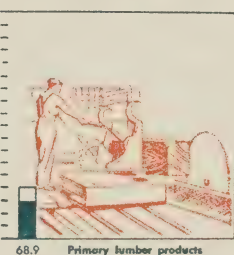
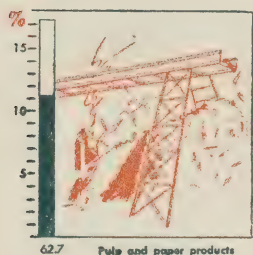
as at September 30, 1947

A. By Industrial Enterprises

	NET AMOUNT AUTHORIZED	%	AMOUNT OUTSTANDING	%
1. Foods and Beverages	\$ 2,395,100	12.1	\$ 1,561,863	11.7
2. Primary Textiles	669,865	3.4	476,518	3.6
3. Finished Textile Products	1,111,917	5.6	916,184	6.9
4. Pulp and Paper Products	3,457,500	17.5	2,170,474	16.3
5. Primary Lumber Products	802,256	4.1	553,530	4.2
6. Furniture and Woodenware	1,446,743	7.3	1,228,485	9.2
7. Agricultural and Industrial Machinery	1,285,582	6.5	1,152,833	8.6
8. Automotive Equipment	409,650	2.1	362,900	2.7
9. Miscellaneous Metal Products	1,419,894	7.2	1,249,653	9.4
10. Builders' Supplies	792,384	4.0	715,800	5.4
11. Ceramics, Glass and Plastic Products	190,100	1.0	55,044	.4
12. Chemical Products	2,948,784	14.9	604,216	4.5
13. Refrigeration	1,284,073	6.5	949,965	7.1
14. Other	1,544,189	7.8	1,332,530	10.0
	<hr/>		<hr/>	
	\$19,758,037	100.0	\$13,329,995	100.0

The above table shows the distribution of the Bank's credits according to broad industrial classifications. It is an indication of the various types of industry being financed by the Bank.

CLASSIFICATION OF LOANS BY INDUSTRIAL ENTERPRISES



LEGEND

Keyed to marginal figures, bar shows percentage of total loans authorized to each industrial group. Solid portion shows percentage of this amount utilized up to Sept. 30, 1947

B. By Provinces

	NET AMOUNT AUTHORIZED	AMOUNT OUTSTANDING
Prince Edward Island . . . . .	.....	.....
Nova Scotia	\$ 178,400	\$ 159,650
New Brunswick	574,180	528,275
Quebec	6,718,342	3,778,335
Ontario	8,121,650	6,165,779
Manitoba	904,196	656,225
Saskatchewan	201,300	161,496
Alberta	1,663,444	1,016,038
British Columbia & Territories . .	1,396,525	864,197
	<u>\$19,758,037</u>	<u>\$13,329,995</u>

This table shows the distribution of authorized credits according to areas and, as might be expected, reflects fairly well the geographic distribution of industry in Canada.

C. By Size

	NET NUMBER AUTHORIZED	NET AMOUNT AUTHORIZED
\$ 5,000 and under	33	\$ 103,930
5,001 to \$ 25,000	140	1,869,749
25,001 to 50,000	58	2,052,539
50,001 to 100,000	53	3,883,744
100,001 to 200,000	25	3,521,575
Over \$200,000	13	8,326,500
	<u>322</u>	<u>\$19,758,037</u>

This table shows the distribution of authorized credits according to size. The largest number of authorized credits has been in the \$5/25,000 category.

DISTRIBUTION OF TOTAL LOANS



Percentage of total loans

Percentage of population employed in manufacturing (D.B.S. 1941)

Having regard to present buoyant economic conditions in Canada and to the provisions of Double Depreciation authorized to facilitate post war reconversion of industry, it has been the policy of the Bank to encourage borrowers to repay advances as rapidly as possible and to place their finances on a sound basis to meet possibly less favourable operating conditions.

Profit and Loss Income for the year amounted to \$798,192.92 as compared with 1946 income of \$427,322.90. Interest on loans and investments other than Dominion Government securities has shown an increase over last year from \$138,172.12 to \$401,044.95, reflecting the larger amount of the Bank's capital now actively employed. This source now constitutes a substantial portion of total income. Interest on holdings of Dominion Government securities amounted to \$210,264.70 while profit realized from sales of such securities was \$186,490.81. Total expenses during the past year, of which details are shown in the attached statement, amounted to \$288,512.88 as compared with \$185,604.72 in 1946. The profit for the fiscal year 1947 amounted to \$509,680.04 as compared with profit in 1946 of \$241,718.18.

It has always been recognized that in the type of lending in which the Bank is engaged, one must expect, however capable the management may be, to have an appreciable loss experience over a period of years. The first three years of the Bank's operations have not been typical in this respect mainly because of the particularly favourable level of business conditions in this period. While the Bank and its auditors felt that no write-offs

or specific appropriations were required against its loans, investments and guarantees as at September 30, 1947, there were certain accounts in which there was an element of doubt. Rather than wait until the situation in such accounts might have deteriorated to the point where write-offs were called for, it was deemed appropriate this year to set aside a reasonable, round amount to a Reserve for Losses which will be available to meet specific losses. The amount so set aside out of this year's profits was \$200,000 and appears on the liability side of the Bank's balance sheet.

Organization No new offices were opened during the fiscal year. The Bank has offices in Montreal, Toronto, Winnipeg and Vancouver. Applicants in Alberta, Saskatchewan and the Maritime Provinces are visited by officers of the Bank operating from the nearest office. For example, in the case of the Maritime Provinces, an experienced officer operates from Montreal and more than one-third of his time has been spent in personal study and contacts in every major centre in the Maritime area. Consideration will be given to the establishment of an office of the Bank in any region where the volume of business in the area warrants such a step.

The General Manager's office in Montreal was somewhat hampered during the year by lack of sufficient space. However, since the end of the fiscal year we have been able to obtain additional space which will improve working conditions.

Practically all applications continue to be investigated at the applicant's place of business and the form of security to

be held by the Bank as well as the terms of repayment are arranged to suit individual cases. In addition, periodic visits are made to customers' plants in order to maintain personal contact and discuss any problems which may have arisen in the course of their operations.

Since my last report the personnel of the Bank has increased to 77. It is an indication of the highly specialized nature of its work that in addition to experienced bankers the staff includes eight industrial engineers, five lawyers, three chartered accountants and three officers experienced in insurance matters. It is with a great deal of pleasure that I record my appreciation of the high quality of the service rendered by the staff during the last year.

General During the past year capital investment in Canadian industry has been at an all-time high. During the war many firms were unable to make normal maintenance and modernization expenditures. Since the end of the war, consumer demand, inflated by the war-time backlog of unsatisfied wants and the non-availability of some imports, has been abnormally high, and has tended to encourage capital investment for the purpose of expanding our productive capacity. I believe that most of the increase in our industrial plant and equipment has been on a sound basis inasmuch as it is not out of line with the level of demand for goods and services which one would normally associate with the maintenance of high employment and reasonably prosperous general business conditions. On the other hand, it is only prudent to recognize the possibility

that temporarily high demand may have encouraged the creation of excess productive capacity in certain cases. Under present market conditions it is extremely difficult to detect such instances of over-capacity with any reliability; they become apparent under less favourable circumstances.

Since our labour and material resources are already fully employed and an increase in one type of activity usually must be at the expense of another, it seems rather unlikely that there will be any further increase in the rate of capital investment in Canadian industries in the near future. In view of the fact that a good many of our more urgent needs for additional industrial capacity have already been met and that the necessity of conserving our reserves of United States dollars may lead to some restriction on the importation of industrial machinery and equipment, it seems more likely that some decline in the rate of capital investment in industry may occur.

Such a development would not necessarily involve a contraction in the Bank's lending activities. During the last year or so credit of the type which the Bank was set up to provide has been available from other sources on a larger scale than usual. Even so, the Bank has authorized credits during the past three years to 443 industrial firms across Canada. In the period ahead I believe there will still be many special financing problems for industry of the kind that the Bank was designed to meet and that the Bank will continue to provide a useful service.

I am, Dear Sir,
Yours faithfully,
G. F. TOWERS, President

Statement of Profit and Loss

for the year ended 30th September 1947

Income —

On Dominion Government
securities:

Interest . . \$210,264.70

Profit on sales 186,490.81 \$396,755.51

On loans and investments 401,044.95

All other 392.46 \$798,192.92

Expenses —

Salaries 203,180.12

Pension fund and unemploy-
ment insurance . . . 18,122.96

Investigation and supervision
expenses (including travel) 13,537.38

Travelling expenses—general 9,404.30

Rental and other costs—
leased premises . . . 12,496.49

Depreciation of office equip-
ment 2,735.32

Telephones and telegrams . 4,862.62

Office supplies, expenses . 7,966.26

Directors' fees 3,900.00

Auditors' fees, expenses . 5,602.67

All other operating expenses 6,704.76 288,512.88

Profit before deducting ap-
propriation referred to below 509,680.04

Deduct amount appropriated
as reserve against loans and
investments and guarantees 200,000.00

Balance transferred to re-
serve fund \$309,680.04

RESERVE FUND

Balance 30th September 1946 . . . \$439,560.97

Amount transferred from statement of
profit and loss 309,680.04

Balance 30th September 1947 \$749,241.01

Officers

G. F. TOWERS, C.M.G., *President*

S. R. NOBLE, O.B.E., *General Manager*

D. G. MARBLE, C.B.E., *Secretary*

A. N. H. JAMES, *Executive Assistant*

L. F. MUNDY, *Deputy Secretary*

H. R. EXTENCE, *Chief Accountant*

GENERAL MANAGER'S OFFICE

ALDRED BUILDING, PLACE D'ARMES, MONTREAL, QUE.

S. R. NOBLE, O.B.E., *General Manager*

A. N. H. JAMES, *Executive Assistant*

L. VIAU, *Deputy Secretary*

BRANCHES

TORONTO, ONT., 85 RICHMOND STREET WEST • J. C. INGRAM, *Supervisor*

WINNIPEG, MAN., 356 MAIN STREET • D. T. MUSKETT, *Supervisor*

VANCOUVER, B.C., 736 GRANVILLE STREET • N. C. TOMPKINS, *Supervisor*

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INDUSTRIAL DEVELOPMENT BANK

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Annual Report to the Minister of Finance

AND STATEMENT OF ACCOUNTS

fiscal year 1948

1947/48



INDUSTRIAL DEVELOPMENT BANK

idb

The Industrial Development Bank, subsidiary of the Bank of Canada established by Act of Parliament August 15th, 1944, commenced operations on November 1st, 1944. Its purpose is to extend financial assistance to sound industrial enterprises which are unable to obtain their requirements from other sources on reasonable terms and conditions. It is intended to supplement, rather than to compete with the activities of chartered banks and other lending organizations, and operates chiefly in the medium and long-term field.

INDUSTRIAL DEVELOPMENT BANK

Ottawa, December 9, 1948

The Hon. D. C. Abbott, K.C., M.P.,
Minister of Finance,
Ottawa.

Dear Sir. In accordance with the provisions of the Industrial Development Bank Act, I am enclosing herewith in duplicate a statement of the Bank's accounts for the fiscal year 1948 signed by the President and Chief Accountant and verified by the Auditors.

The statute provides that this statement should be accompanied by such summary or report by the President as he may deem desirable or as may be required by the Minister of Finance. The statute also provides for the publication at least once a year of a classification of the Bank's loans, investments and guarantees. We continue this year the practice established in earlier years of including this classification in the report because of its value in indicating the extent of the Bank's operations since inception. These operations necessarily reflect developments in the industrial field and I shall comment on this aspect in more detail at a later stage of this report.

Method of Operation Since commencement of its operations late in 1944, the Bank has taken a number of steps to acquaint the public with the facilities it can offer, a

subject which was dealt with in our first annual report. Descriptive pamphlets have been widely circulated through the Canadian Manufacturers' Association, Boards of Trade, chartered banks and other organizations; and travelling representatives of the Bank have visited a number of cities, other than those where our branches operate, in order to give prospective applicants the opportunity of discussing their problems at first hand and learning whether we can be of assistance to them.

I think it may be appropriate in the present report to mention again the kinds of enterprises which the Bank can assist, the nature of such assistance and the manner in which it is extended.

The purpose of the Bank is to provide financial assistance mainly to small and medium sized enterprises which are demonstrably sound but which might not otherwise be able to get credit on reasonable terms and conditions. The Bank is intended to supplement rather than compete with the activities of the chartered banks and other lending organizations. It may lend to firms engaged in the manufacture, processing or refrigeration of goods, the building of ships, or the generating or distributing of electricity. It should be noted, however, that the Bank is not empowered to make loans to primary industries such as farming or fishing, nor to trade or service establishments such as stores, garages, repair shops, theatres, etc.

The Bank's loans are usually for capital assistance rather than for working funds and extend over a period of several

years in contrast to the short-term loans typical in ordinary commercial banking. To enable it to extend this kind of assistance, the Bank may accept any form of collateral security including mortgages on real property. The security requirements of the Bank are not rigid and these, as well as the terms of repayment, are arranged to suit individual cases. Practically all applications are investigated at the applicant's place of business. In addition to satisfying the Bank's requirements, the results of these investigations are often beneficial to the applicants, particularly the smaller and medium sized enterprises, since they may result in suggestions for improvements in methods of operation, insurance coverage and in accounting procedure.

Loans, Investments and Guarantees. The combination of high cost of capital development and the state of the market for various types of consumers' goods, in which supply is tending to outstrip demand has made it desirable for the Bank—both in its own interest and in that of its customers—to scrutinize applications for credit with ever-increasing care. The following table reflects this situation:

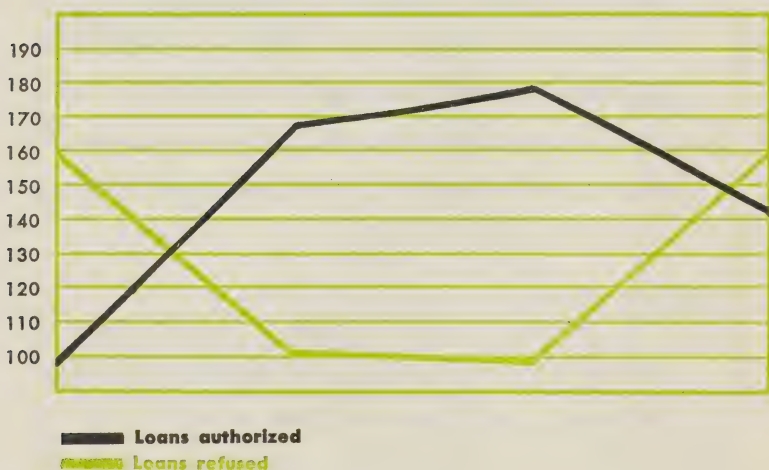
NUMBER OF APPLICATIONS DEALT WITH

	Fiscal Year	1945*	1946	1947	1948
Authorized		97	169	177	143
Refused		160	103	97	159
Withdrawn		228	105	113	89
		<hr/> 485 <hr/>	<hr/> 377 <hr/>	<hr/> 387 <hr/>	<hr/> 391 <hr/>

*11 months only.

It will be noted that although the Bank has received a slightly greater number of applications in this past year, the number authorized was less than the previous year, and the number of applications refused, greater.

TREND IN NUMBER OF LOANS AUTHORIZED AND REFUSED
1945 1946 1947 1948



The following statement shows the extent of the Bank's lending business since its inception.

	NUMBER	AMOUNT
Loans, investments & guarantees authorized:		
November 1, 1944 to September 30, 1947	443	\$26,735,809
October 1, 1947 to September 30, 1948 .	143	12,291,815
Total	586	\$39,027,624

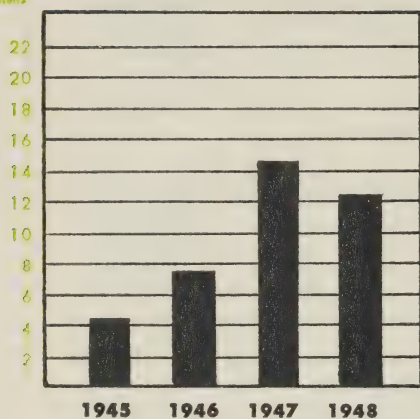
LESS :	NUMBER	AMOUNT
Cancellations of authorizations and reductions in amounts authorized:		
November 1, 1944 to September 30, 1947	94	\$ 4,408,425
October 1, 1947 to September 30, 1948 .	21	1,277,925
Total	115	\$ 5,686,350
Authorizations which have lapsed by reason of full repayments of loans:		
November 1, 1944 to September 30, 1947	27	\$ 1,150,450
October 1, 1947 to September 30, 1948 .	41	1,716,445
Total	68	\$ 2,866,895
Current authorizations as at September 30, 1948.	403	\$30,474,379
Reductions by reason of partial repayment:		
November 1, 1944 to September 30, 1947		\$ 1,418,897
October 1, 1947 to September 30, 1948 .		2,549,060
Total		\$ 3,968,857
Net authorizations as at September 30, 1948:	403	\$26,505,522
Disbursements:		
November 1, 1944 to September 30, 1947		\$15,770,654
October 1, 1947 to September 30, 1948 .		11,328,451
Total		\$27,099,105
Repayments:		
November 1, 1944 to September 30, 1947		\$ 2,440,659
October 1, 1947 to September 30, 1948 .		4,042,003
Total		\$ 6,482,662
Outstanding:		
Loans, investments and guarantees as at September 30, 1948		\$20,616,443

Credit authorizations of \$12,291,000 during the year were approximately \$2,400,000 less than those of the 1947 fiscal year.

While disbursements have been heavier during the year, repayments continue at a satisfactory rate and the amount of loans, investments, and guarantees outstanding as at September 30, 1948 is well below present lending resources.

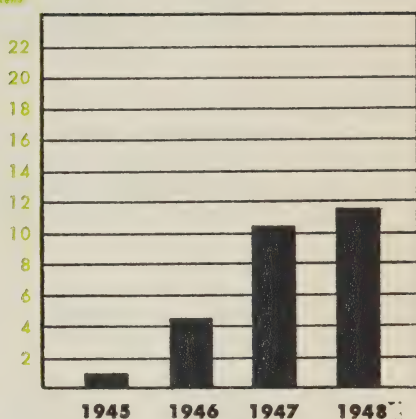
AUTHORIZATIONS

\$ Millions



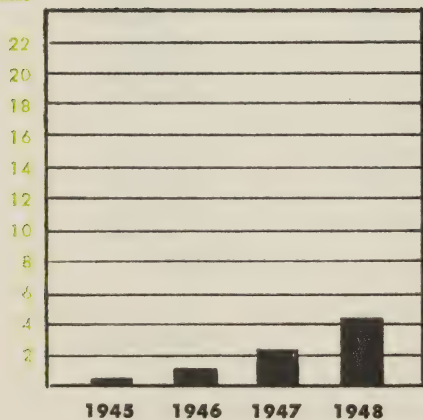
DISBURSEMENTS

\$ Millions



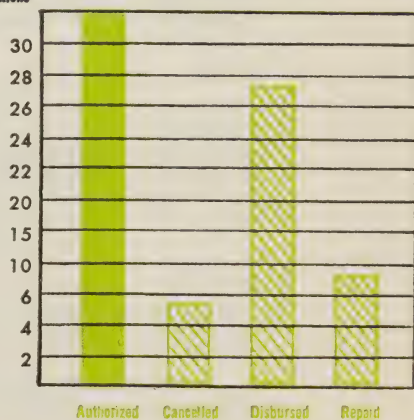
REPAYMENTS

\$ Millions



VOLUME OF TRANSACTIONS SINCE THE BANK'S INCEPTION

\$ Millions



Classification of Loans, Investments and Guarantees

A. By Industrial Enterprises

	GROSS AMOUNT AUTHORIZED TO DATE*	GROSS AMOUNT AUTHORIZED DURING THE FISCAL YEAR 1948.	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1948.	AMOUNT OUTSTAND- ING AS AT SEPTEMBER 30, 1948.
1. Foods and Beverages	\$ 4,111,550	\$ 1,726,450	\$ 4,017,600	\$ 2,845,270
2. Tobacco and Tobacco Products . . . . .	.....	.....	.....	.....
3. Rubber Products	25,000	25,000	25,000	25,000
4. Leather Products	615,500	407,500	597,500	395,118
5. Textile Products (except clothing)	2,393,250	905,150	2,111,600	1,400,456
6. Clothing (Textile & Fur)	1,064,825	311,875	709,200	437,029
7. Wood Products	3,869,873	1,566,473	3,526,050	2,281,319
8. Paper Products (including Pulp)	4,101,700	521,500	3,980,700	3,416,625
9. Printing, Publishing & Allied Industries	1,197,689	770,689	1,136,000	918,515
10. Iron and Steel Products (including Machinery & Equipment)	4,360,493	1,731,430	3,732,229	2,698,250
11. Transportation Equip- ment	1,111,646	500,300	993,250	734,619
12. Non-Ferrous Metal Products	35,000	15,000	35,000	9,111
13. Electrical Apparatus & Supplies	679,500	519,000	675,500	406,492
14. Non-Metallic Mineral Products	2,269,974	455,750	1,832,000	1,457,243
15. Products of Petroleum & Coal	801,000	405,000	766,000	543,064
16. Chemical Products	3,112,326	551,500	3,108,500	1,486,538
17. Miscellaneous Manu- facturing Industries	971,743	423,743	695,000	329,262
18. Refrigeration	2,525,205	1,360,455	2,438,250	1,147,532
19. Generating or Distri- buting of Electricity	95,000	95,000	95,000	85,000
	<u>\$33,341,274</u>	<u>\$12,291,815</u>	<u>\$30,474,379</u>	<u>\$20,616,443</u>

*Less cancellations and reductions in amounts authorized.

B. By Provinces

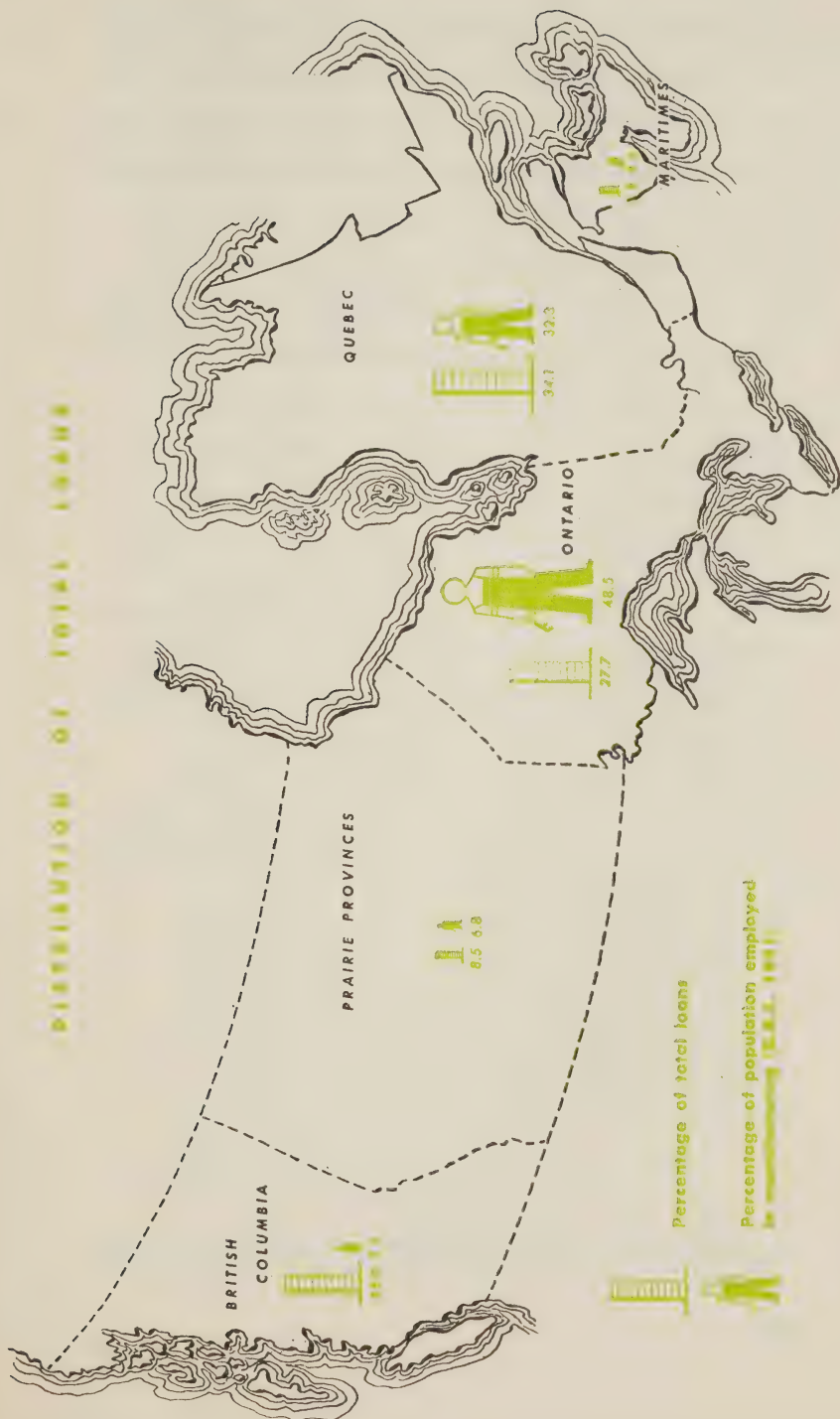
	GROSS AMOUNT AUTHORIZED TO DATE*	GROSS AMOUNT AUTHORIZED DURING THE FISCAL YEAR 1948.	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1948.	AMOUNT OUTSTAND- ING AS AT SEPTEMBER 30, 1948.
Prince Edward Island . . . \$	39,000	\$ 39,000	\$ 39,000	\$ 35,200
Nova Scotia	681,900	285,250	436,000	335,500
New Brunswick	823,500	333,000	750,500	580,258
Quebec	11,733,250	4,162,150	10,892,850	6,875,011
Ontario	11,676,664	3,380,584	10,711,250	8,470,759
Manitoba	1,508,684	539,955	1,345,229	818,907
Saskatchewan	268,800	32,000	250,800	181,133
Alberta	2,251,864	468,964	2,049,700	1,357,624
British Columbia & Territories	4,357,612	3,050,912	3,999,050	1,962,051
	<u>\$33,341,274</u>	<u>\$12,291,815</u>	<u>\$30,474,379</u>	<u>\$20,616,443</u>

*Less cancellations and reductions in amounts authorized.

In the above tables we have enlarged the classification hitherto used for industrial enterprises, and have added to the statistical information previously given in my reports, to show for each industrial classification and each province the amount authorized to date and the amount authorized during the year under review, together with current authorizations and amount outstanding, as at the end of the year. It will be noted that, with one exception, the Bank's loans cover the complete range of our industrial classification, which follows the lines of the accepted international standard industrial classification.

Taking the percentage of the population engaged in manufacturing in each economic area of the country as a fair indicator, we find that the Bank's operations follow fairly well the pattern of industrial development in Canada. During the past year, both the Maritimes and British Columbia received an increased percentage of the Bank's total loans authorized.

DISTRIBUTION OF TOTAL LOANS



Percentage of total loans

Percentage of population employed

in manufacturing (1953-1954)

These relative positions may be seen from the following table, which shows the percentage of the Bank's total loans authorized for each area since the Bank's inception, the same percentage for the past year and the percentage of the population employed in manufacturing.

AREA	% OF TOTAL GROSS AUTHORIZED LOANS		% OF POPULATION EMPLOYED IN MANUFACTURING IN 1947
	To Date	Fiscal Year 1948	
Maritimes	4.6	5.3	4.6
Quebec	35.3	34.1	32.3
Ontario	35.0	27.7	48.5
Prairies	12.1	8.5	6.8
British Columbia	13.0	25.0	7.6

The following table classifies the current authorizations on the books of the Bank as at September 30, 1948 by size. It will be noticed that the largest number of authorized credits continues to be in the \$5,001 to \$25,000 category.

	CURRENT AUTHORIZATIONS AS OF SEPTEMBER 30, 1948	NUMBER OF CREDITS
\$ 5,000 and under	\$ 82,750	22
5,001 to \$ 25,000	2,514,550	173
25,001 to 50,000	2,849,729	72
50,001 to 100,000	5,487,700	73
100,001 to 200,000	6,469,750	42
Over \$200,000	13,069,900	21
	<u>\$30,474,379*</u>	<u>403</u>

*Because of partial repayments on account of current authorizations the net authorizations were \$26,505,522 of which those in excess of \$200,000 totalled \$10,813,225.

Profit and Loss Income for the year amounted to \$893,317.80 as compared with \$798,192.92 in 1947. Interest on loans, investments and guarantees, other than Government of Canada securities, increased from \$401,044.95 in 1947 to \$747,152.40, and now constitutes the major source of the Bank's total income. Interest on the Bank's holdings of Government of Canada securities amounted to \$293,597.29 as against \$210,264.70 in 1947, the increase being due to somewhat larger average holdings of such securities. As a result of the decline in market prices of Government of Canada securities which took place in January and February, 1948, the Bank had a loss on sales of such securities of \$148,849.06 as compared with a profit of \$186,490.81 from this source in 1947, and in addition it was necessary to make provision of \$325,950.94 out of profits for this fiscal year to reduce the book value of the Bank's portfolio of Government of Canada securities to market value at September 30th. No such provision was required in previous years. After taking into consideration previous years' profits on sales amounting in the aggregate to \$371,148.35, and this year's loss on sales and provision to reduce the book value aggregating \$474,800, the average return on the Bank's holdings of Government of Canada securities during the four years of its operations, has been 2.18% per annum. Total expenses during the past year, of which details are shown in the attached statement, amounted to \$398,655.66 as compared with \$288,512.88 in 1947. The profit (before appropriations) for the fiscal year 1948 amounted to \$494,662.14 as against \$509,680.04 in 1947.

As I mentioned in last year's report, the Reserve for Losses is available to meet specific losses as they occur. During the year \$34,340.12 has been used for this purpose. In view of the increase in the Bank's loans, investments and guarantees during the year, and of the fact that there were certain accounts in which there was an element of doubt, it was deemed appropriate to set aside out of this year's profits an amount sufficient to bring the Reserve for Losses up to a figure of \$300,000.

Organization

This year saw an innovation in regard to the meetings of the Board of Directors. The Board felt there would be a considerable advantage to them if they could visit some of the wide range of industrial enterprises being financed by the Bank. To achieve this, the meeting scheduled for September was held in Vancouver and the occasion was taken to visit the plants of a number of the Bank's customers and other British Columbia industrial projects. En route to Vancouver, a stop-over at Winnipeg permitted the Board to visit several plants in the Winnipeg area. The Board felt that a useful purpose was served by thus viewing at first hand the effect of operations of the Bank, and as occasion permits the precedent established with the Vancouver meeting will be extended to other areas of Canada.

Since my last report there has been a net addition of 15 to the staff of the Bank, which now numbers 92. Of that number 48 are male and 44 are female employees. It continues to be characteristic of the Bank's male staff that a high proportion

are what might be described as specialist, technical or professional personnel. It is with a great deal of pleasure that I record my appreciation of the high quality of service rendered by the staff during the past year.

General The past year has again been marked by a very high level of capital investment in Canada—not high in relation to the amount of new industrial plant, housing and other capital facilities which all Canadians would like to see going forward, but high in relation to the current material and labour resources of our construction and equipment industries.

Due to rising costs the dollar totals in all the major categories of new capital investment will be higher in 1948 than in 1947, but so far as the physical rate of new capital investment in industry—i.e. manufacturing—is concerned there seems to have been no increase over last year. In part this may be due to the appearance of some hesitation in the retail demand for certain non-durable consumer goods. Although I believe that most of the capital development which has occurred in recent years has been on a sound basis there are somewhat more frequent examples than there were a year ago of new or enlarged enterprises which are not meeting with success. It is certainly desirable from every point of view that during the present buoyant state of affairs, investment plans be very carefully scrutinized.

The trends discussed in this report are reflected in the result of the Bank's operations for the year. For reasons which

have already been mentioned, the amount of new business accepted by the Bank during the year has not shown the increase which might ordinarily have been expected at this stage in the Bank's development. However, having extended credit facilities to 586 firms covering a wide variety of industrial operations, many quite new to the industrial economy of Canada, I think it may be said that the Bank has been playing its part in the large task involved in the re-equipment and expansion of Canadian industry.

I am, Dear Sir,
Yours faithfully,
G. F. TOWERS, President

Statement of Profit and Loss

for the year ended 30th September 1948

Income:

On Government of Canada securities:

Interest	\$293,597.29	
Less loss on sales	148,849.06	\$144,748.23

On loans, investments and guarantees 747,152.40

All other 1,417.17

\$893,317.80

Expenses:

Salaries \$265,440.26

Pension fund and unemployment

insurance 33,467.78

Investigation and supervision expenses
(including travel) 15,131.81

Travelling expenses—general 10,126.87

Rental and other costs—leased premises 29,580.15

Depreciation of office equipment 4,783.05

Telephones and telegrams 8,281.10

Office supplies, expenses 12,455.21

Directors' fees 3,600.00

Auditors' fees, expenses 6,000.00

All other operating expenses 9,789.43 398,655.66

Profit before deducting appropriations
referred to below \$494,662.14

Deduct: Provision to reduce Government
of Canada securities to market value \$325,950.94

Amount appropriated as reserve against
loans, investments and guarantees 134,340.12 460,291.06

Balance transferred to reserve fund \$ 34,371.08

RESERVE FOR LOSSES

Balance 30th September 1947 \$200,000.00

Appropriation from profits for year ended 30th
September 1948 134,340.12

\$334,340.12

Less bad debts written off 34,340.12

Balance 30th September 1948 \$300,000.00

RESERVE FUND

Balance 30th September 1947 \$749,241.01

Amount transferred from statement of profit and loss 34,371.08

Balance 30th September 1948 \$783,612.09

Statement of Assets and Liabilities

as at 30th September 1948

LIABILITIES

Capital: Authorized, issued and paid up— 250,000 shares par value \$100 each	\$25,000,000.00
Reserve fund	783,612.09
Contingent liability under guarantees and under- writing agreements	3,080,524.60
All other liabilities	7,151.86
Reserve for losses	300,000.00
	<u>\$29,171,288.55</u>

ASSETS

Cash on hand and deposits with other banks . \$	33,422.10
Government of Canada securities at values not exceeding market	8,224,413.67
Loans and investments	17,535,918.49
Guarantees and underwriting agreements as per contra	3,080,524.60
All other assets	297,009.69
	<u>\$29,171,288.55</u>

G. F. TOWERS, President H. R. EXTENCE, Chief Accountant

AUDITORS' REPORT • We have made an examination of the statement of assets and liabilities of the Industrial Development Bank as at 30th September 1948 and have received all the information and explanations we have required. We report that in our opinion it correctly sets forth the position of the Bank at 30th September 1948, according to the best of our information and as shown by the books of the Bank.

J. G. GLASSCO, F.C.A., JEAN VALIQUETTE, C.A.,
of the firm Clarkson Gordon & Co. of the firm Anderson & Valiquette.

Ottawa, Canada, 15th November 1948.

INDUSTRIAL DEVELOPMENT BANK

Incorporated under the Industrial Development Bank Act, 1944

HEAD OFFICE—OTTAWA, ONT.

GENERAL MANAGER'S OFFICE—MONTREAL, QUE.

Board of Directors

G. F. TOWERS, C.M.G., *President, Ottawa, Ont.*



E. G. BAKER, *Toronto, Ont.*

W. D. BLACK, *Member of the Executive Committee, Hamilton, Ont.*

W. C. CLARK, C.M.G., *Member of the Executive Committee, Ottawa, Ont.*

G. G. COOTE, *Nanton, Alta.*

D. GORDON, C.M.G., *Member of the Executive Committee, Ottawa, Ont.*

N. A. HESLER, *Sackville, N.B.* J. L. HOLMAN, *Summerside, P.E.I.*

A. STEWART McNICHOLS, *Montreal, Que.*

R. H. MILLIKEN, K.C., *Regina, Sask.* C. J. MORROW, *Lunenburg, N.S.*

A. C. PICARD, *Quebec, Que.*

L. P. SAINT-AMOUR, *Ottawa, Ont.* E. J. TARR, K.C., *Winnipeg, Man.*

A. C. TAYLOR, C.B.E., *Vancouver, B.C.*

Officers



G. F. TOWERS, C.M.G., *President*

S. R. NOBLE, O.B.E., *General Manager*

D. G. MARBLE, C.B.E., *Secretary*

A. N. H. JAMES, *Executive Assistant*

L. F. MUNDY, *Deputy Secretary*

H. R. EXTENCE, *Chief Accountant*

GENERAL MANAGER'S OFFICE

ALDRED BUILDING, PLACE D'ARMES, MONTREAL, QUE.

S. R. NOBLE, O.B.E., *General Manager*

A. N. H. JAMES, *Executive Assistant*

C. I. STUART, *Deputy Secretary*

L. VIAU, *Deputy Secretary*

BRANCHES

TORONTO, ONT., 85 RICHMOND STREET WEST • J. C. INGRAM, *Supervisor*

WINNIPEG, MAN., 356 MAIN STREET • D. T. MUSKETT, *Supervisor*

VANCOUVER, B.C., 736 GRANVILLE STREET • N. C. TOMPKINS, *Supervisor*

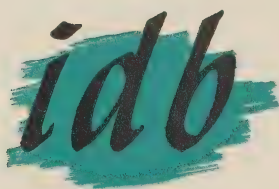
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Government
Publications

INDUSTRIAL DEVELOPMENT BANK



Annual Report to the Minister of Finance

AND STATEMENT OF ACCOUNTS

1948/49
Fiscal year 1949



Government
Publications

INDUSTRIAL DEVELOPMENT BANK



The Industrial Development Bank, subsidiary of the Bank of Canada established by Act of Parliament August 15th, 1944, commenced operations on November 1st, 1944. Its purpose is to extend financial assistance to sound industrial enterprises which are unable to obtain their requirements from other sources on reasonable terms and conditions. It is intended to supplement, rather than to compete with the activities of chartered banks and other lending organizations, and operates chiefly in the medium and long-term field.

I N D U S T R I A L D E V E L O P M E N T B A N K

Ottawa, December 8th, 1949

The Hon. D. C. Abbott, K.C., M.P.,
Minister of Finance,
Ottawa, Ontario.

Dear Sir, In accordance with the provisions of the Industrial Development Bank Act, I am enclosing herewith in duplicate a statement of the Bank's accounts for the fiscal year ending September 30, 1949, signed by the President and Chief Accountant and verified by the Auditors.

The statute provides that this statement should be accompanied by such summary or report by the President as he may deem desirable or as may be required by the Minister of Finance. The statute also provides for the publication at least once a year of the classification of the Bank's loans, investments and guarantees. I am continuing the practice in this report of reviewing statistics pertaining to this past fiscal year's operations, and also for comparative purposes I have included, where relative, statistics of previous operating periods since the Bank's inception. As a matter of interest and as some indication of the type of business which the Bank is facilitating, I have also thought it appropriate to include a few photographs taken in factories belonging to customers of the Bank. They have not been selected on the basis of size or location but rather on grounds of general interest.

Loans, Investments and Guarantees. The number of applications from new customers dealt with by the Bank during 1949 is shown in the following table in comparison with similar figures for 1948 and previous years:

	To 1947	During 1948	During 1949	Total to September 30, 1949
Authorized . . .	443	143	104	690
Refused . . .	360	159	138	657
Withdrawn . . .	446	89	78	613
	<u>1,249</u>	<u>391</u>	<u>320</u>	<u>1,960</u>

In addition to the applications from new customers shown in the above table there were received during 1949, 52 applications from existing customers of the Bank. Of these 3 were withdrawn, 3 were refused and 46 were authorized. In 1948, 50 such applications from existing customers were authorized. Increased credits of this character were largely for the purpose of carrying out subsequent phases of companies' expansion programmes which had been deferred until either the original programme had been fully completed and digested, or for further improvement of manufacturing facilities to reduce costs in the light of changing market conditions.

Of course, none of the foregoing statistics with regard to applications dealt with by the Bank include those which could not be seriously considered by the Bank because they proved to be ineligible under the Bank's terms of reference as given in the Industrial Development Bank Act.

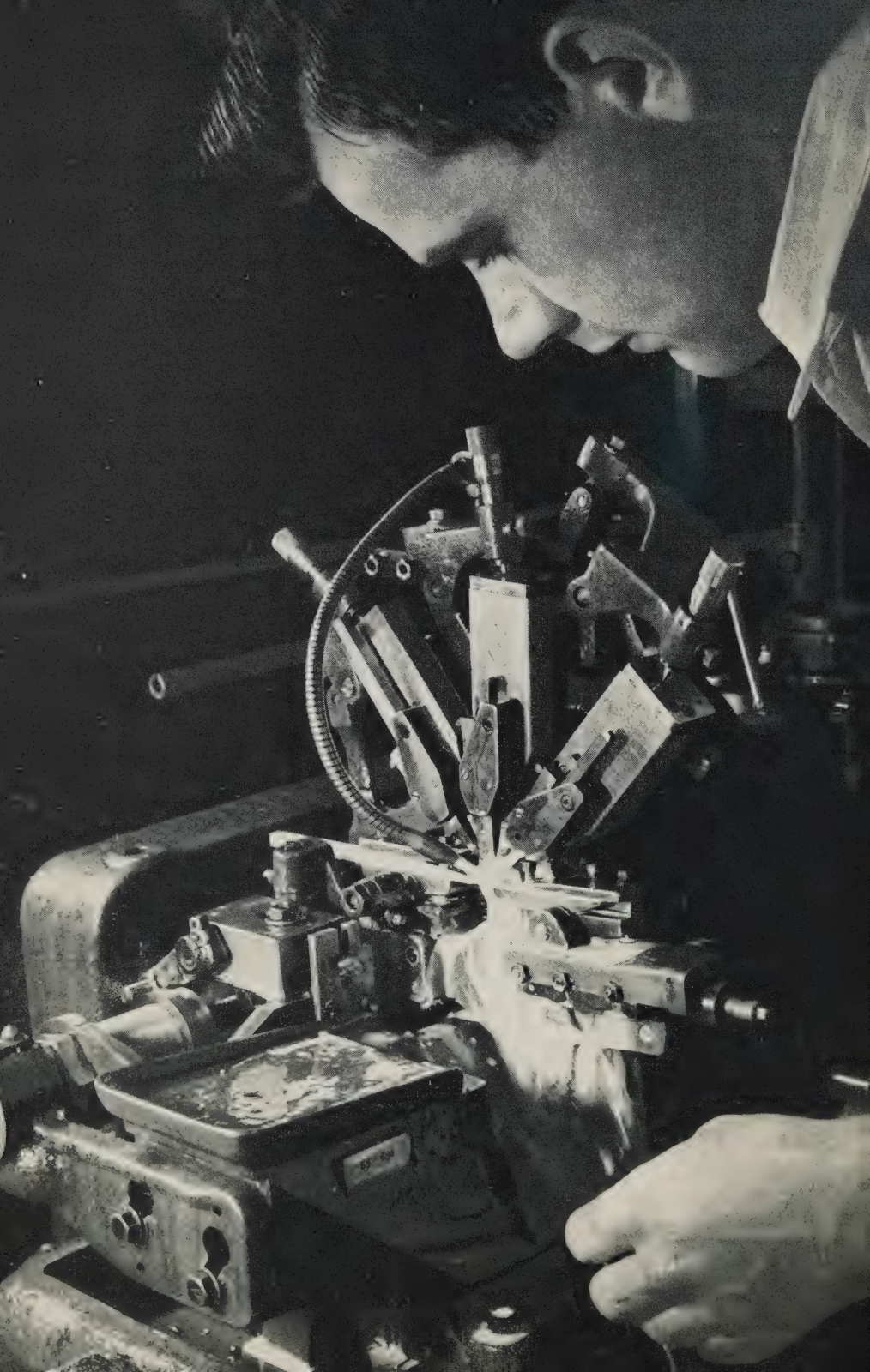
Statistics with regard to the number of applications for credit dealt with by the Bank also do not reflect the increasing amount of administration required in supervising credits after they are on the books of the Bank. Work of this character has increased substantially not only because the total number and amount of credits involved have increased but also because of the fact that as the seller's market of recent years has generally given way to more competitive conditions, much more attention to efficiency in plant operation and selling methods has been required. Our experiences to date have indicated that a large proportion of small businesses suffer from inadequate financial records, particularly in the fields of cost control and budgeting, and in many cases from improperly organized sales effort. We have gone to considerable lengths in rendering assistance to our borrowers under these headings.

In the following table statistics of dollar amounts, as well as numbers of accounts, showing changes in the Bank's business during 1949 and the whole period of the Bank's operations, are given.

	NUMBER	AMOUNT
Loans, investments & guarantees authorized:		
November 1, 1944 to September 30, 1948	586	\$39,027,624
October 1, 1948 to September 30, 1949	104	7,313,586
Total	690	\$46,341,210
LESS:		
Cancellations of authorizations and reductions in amounts authorized:		
November 1, 1944 to September 30, 1948	115	\$ 5,686,350
October 1, 1948 to September 30, 1949	18	1,397,301
Total	133	\$ 7,083,651
Authorizations which have lapsed by reason of full repayment or write-off of loans:		
November 1, 1944 to September 30, 1948	68	\$ 2,866,895
October 1, 1948 to September 30, 1949	52	4,295,718*
Total	120	\$ 7,162,613
Current authorizations as at September 30, 1949	437	\$32,094,946
Reductions by reason of partial repayment:		
November 1, 1944 to September 30, 1948		\$ 3,968,857
October 1, 1948 to September 30, 1949		604,379
		\$ 4,573,236
Net authorizations as at September 30, 1949	437	\$27,521,710
Disbursements:		
November 1, 1944 to September 30, 1948		\$27,099,105
October 1, 1948 to September 30, 1949		8,212,370
Total		\$35,311,475
Repayments and write-offs:		
November 1, 1944 to September 30, 1948		\$ 6,482,662
October 1, 1948 to September 30, 1949		5,253,187
Total		\$11,735,849
Outstanding:		
Loans, investments and guarantees as at September 30, 1949		\$23,575,626

*After deduction of undisbursed portions of fully paid loans now carried in "Cancellations and Reductions".





It will be noted in the foregoing table that there has been a large increase in the amount of credits which have been fully repaid during 1949 as compared with previous years. This increase has been accounted for partly by the maturing of a number of credits and partly by prepayments. The latter include several cases where larger borrowers from the Bank have been able to arrange for the public sale of their securities in the investment market. Instances of this kind provide an encouraging indication of the healthy development of such clients' financial affairs since the time when their credits were first authorized by the Bank.

The Bank's policy is to design repayment schedules to suit the capacity of its borrowers in the light of foreseeable business conditions. To date this has meant provision for a fairly rapid schedule of repayments on the theory that it is in the borrower's interest to take advantage of current prosperous conditions to effect maximum liquidation of indebtedness.

The following tables show the classification of the Bank's loans, investments and guarantees by type of industrial enterprise, by provinces and by size.

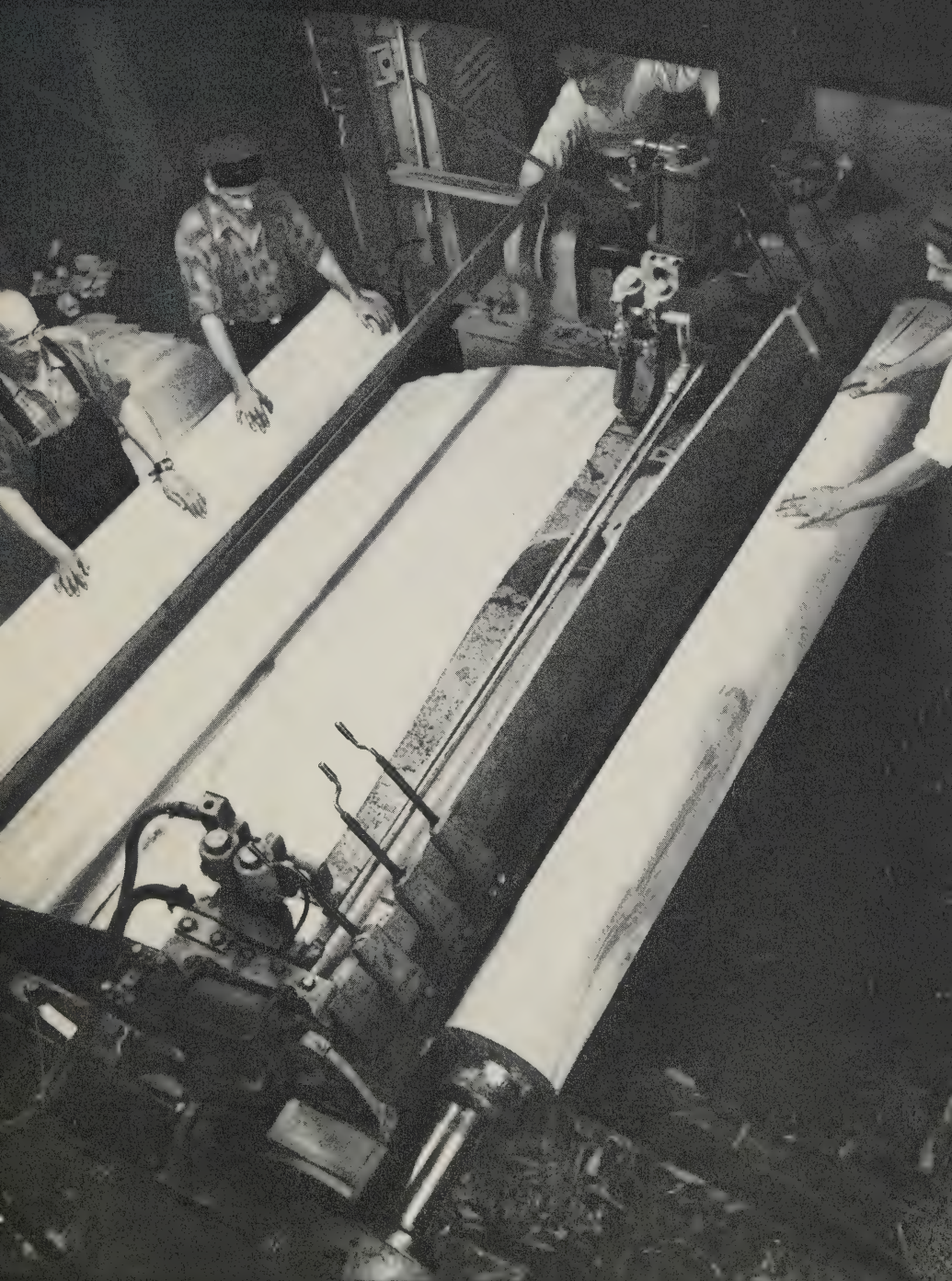
Classification of Loans, Investments and Guarantees

By Industrial Enterprises

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1949*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1949.	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1949.	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1949.
1. Foods and Beverages .	\$ 5,276,595	\$ 1,288,382	\$ 4,413,700	\$ 3,177,938
2. Tobacco and Tobacco Products . . . .	....	....	....	....
3. Rubber Products .	25,000	....	25,000	24,180
4. Leather Products .	630,500	16,500	645,509	491,348
5. Textile Products (except Clothing) .	3,397,037	1,008,787	3,101,012	1,923,696
6. Clothing (Textiles & Fur) .	1,176,743	382,000	867,500	357,303
7. Wood Products . .	4,845,403	1,101,330	3,924,159	3,087,649
8. Paper Products (including Pulp) .	4,221,700	785,000	4,100,700	3,725,248
9. Printing, Publishing & Allied Industries .	1,214,989	71,800	672,300	500,546
10. Iron and Steel Products (including Machinery & Equipment) .	5,030,018	650,814	4,140,409	2,772,490
11. Transportation Equipment . .	1,150,455	92,809	1,016,558	803,370
12. Non-Ferrous Metal Products . . .	46,500	11,500	31,500	7,230
13. Electrical Apparatus & Supplies . .	764,250	84,750	405,000	273,311
14. Non-Metallic Mineral Products . . .	2,742,074	474,100	1,959,291	1,295,457
15. Products of Petroleum & Coal . . .	1,608,599	834,000	890,000	490,002
16. Chemical Products .	3,380,840	272,514	2,357,000	1,990,392
17. Miscellaneous Manu- facturing Industries	1,034,593	82,100	713,500	540,761
18. Refrigeration . .	2,617,263	157,200	2,736,808	2,049,205
19. Generating or Distri- buting of Electricity	95,000	....	95,000	65,500
	<u>\$39,257,559</u>	<u>\$ 7,313,586</u>	<u>\$32,094,946</u>	<u>\$23,575,626</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

The above industrial classification follows the lines of the accepted international standard of classification.





By Provinces

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1949*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1949.	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1949.	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1949.
Newfoundland . . . . .	....	....	....	....
Prince Edward Island . . \$	60,000	\$ 21,000	\$ 60,000	\$ 42,842
Nova Scotia	798,709	137,809	492,808	412,921
New Brunswick	1,054,500	238,000	945,300	656,740
Quebec	14,287,426	3,318,013	11,188,212	7,835,903
Ontario	12,785,786	1,309,543	11,046,818	8,776,572
Manitoba	1,552,684	294,000	1,251,250	932,719
Saskatchewan	1,088,158	820,000	1,025,158	567,810
Alberta	2,621,418	401,955	1,750,500	1,076,416
British Columbia & Territories	5,008,878	773,266	4,334,900	3,273,703
	<u>\$39,257,559</u>	<u>\$ 7,313,586</u>	<u>\$32,094,946</u>	<u>\$23,575,626</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

By Size

	CURRENT AUTHORIZATIONS*	NUMBER OF CREDITS	%
\$ 5,000 and under . . \$	72,409	18	4.1
5,001 to \$ 25,000 . .	2,755,938	186	42.5
25,001 to 50,000 . .	3,250,733	82	18.7
50,001 to 100,000 . .	6,007,761	81	18.7
100,001 to 200,000 . .	7,372,960	48	11.0
Over \$200,000	12,635,145	22	5.0
	<u>\$32,094,946</u>	<u>437</u>	<u>100.0</u>

*Because of partial repayments on account of current authorizations the net authorizations were \$27,521,710 of which those in excess of \$200,000 totalled \$11,227,888.

It may be noted in the above table that 65% in number of the Bank's credits are in amounts not exceeding \$50,000, while 95% in number are not over \$200,000.

Organization As I mentioned in my last report, the Board of Directors felt there would be considerable advantage if they could visit some of the wide range of industrial enterprises being financed by the Bank, and to achieve this, the September 1948 meeting was held in Vancouver, with a stopover at Winnipeg enroute. This year we had planned to hold the September meeting in the Maritimes, but unfortunately developments in the international monetary sphere coincided with the date chosen and at the last moment our plans for a visit to the Maritimes had to be abandoned. It is however, intended as occasion permits, to continue the precedent established with the Vancouver meeting.

During the year there was a net addition of 7 to the staff of the Bank, which now numbers 99. Of that number, 52 are male and 47 are female employees. It continues to be characteristic of the male staff that a high proportion are what might be described as specialized or technical personnel.

Since my last report Newfoundland has joined Canada as the tenth province. Shortly after this event senior officers of the Bank, fully conversant with Maritime Provinces' problems, visited Newfoundland.

Once again I record with a great deal of pleasure my appreciation of the high quality of service rendered by the staff.

Statement of Profit and Loss Income from all sources for the year amounted to \$1,126,258.58 as compared with \$893,317.80 in 1948. For the first time since the Bank

commenced operations, interest on loans, investments, guarantees, etc. exceeded one million dollars—the actual figure being \$1,009,239.91. Interest on the Bank's holdings of Government of Canada securities amounted to \$184,169.00 as against \$293,597.29 in 1948—the decrease being due to the larger amount of capital funds being employed in the normal course of our business. Total expenses during the year, of which details are shown in the attached statement, amounted to \$476,644.20 as compared with \$398,655.66 in 1948.

During the past year there was an increase in the market prices of Government of Canada securities and we were able to transfer to profits \$216,410.62 from the reserve established in 1948 to bring the book value of our holdings of Government of Canada securities in line with market prices. The amount transferred from profits to Reserve for Losses account was \$133,427.59. From Reserve for Losses \$33,627.59 was written off during 1949 in respect of bad debts and \$200.00 was recovered on debts previously written off. The increase in Reserve for Losses account was therefore \$100,000.00 during 1949 bringing the balance in this account to \$400,000.00. The purpose of the Reserve for Losses account has been described in my annual reports covering the years 1947 and 1948.

The balance of profit after making all appropriations amounted to \$732,597.41 during the year and has been transferred to Reserve Fund which now amounts to \$1,516,209.50.

General During the early part of the year under review, an appreciable decline in United States business activity was taking place and there was naturally some uncertainty as to whether Canadian economic conditions might be as favourable in 1949 as during 1948. As events proved, however, the level of Canadian business activity has been well maintained.

Capital investment expenditure has shown some further tendency to shift from investment by industrial concerns which has been at a high level in recent years, towards the types of investment which are of a public or semi-public character. There has also been some indication that new investment spending by the smaller industrial concerns which perhaps on the whole proceeded more quickly with their post-war capital spending programmes, has in the past year tended to decline somewhat more than that of the larger firms whose programmes might be spread out over a longer period of time.

It is from the category of the smaller industrial concerns that the Bank receives the greater part of its applications for credit. As I mentioned in last year's annual report, the Bank has felt that under existing economic conditions and in view of the high cost of capital goods, it has been in the interests of both Bank and borrower to scrutinize individual investment plans very carefully. However, I believe that the decline in the volume of the Bank's new business during 1949 which has been shown in various tables of this report, also has been influenced to an important extent by the trend of developments





described in the foregoing paragraph. The Bank's contribution to the development of the Canadian economy has been even greater than is indicated by the fact that it has so far authorized credits to 690 firms engaged in a wide variety of industrial activities. In addition, it has been of assistance to other industrial enterprises in developing their plans to the point where they have been able to obtain necessary financial assistance from lenders other than the Bank itself.

*I am, Dear Sir,
Yours faithfully,
G. F. TOWERS, President*

Statement of Profit and Loss

for the year ended 30th September 1949

Income:

On Government of Canada securities:

Interest	\$184,169.00	
Less loss on sales	67,150.33	\$ 117,018.67

On loans, investments and guarantees		975,572.97
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All other		33,666.94
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		<u>\$1,126,258.58</u>
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Expenses:

Salaries	\$336,642.61	
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Pension fund and unemployment insurance and group insurance	41,675.43	
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Investigation and supervision expenses (including travel)	16,463.64	
---	-----------	--

Travelling expenses—general	5,371.02	
---------------------------------------	----------	--

Rental and other costs— leased premises	32,511.41	
--	-----------	--

Depreciation of office equipment	5,463.25	
--	----------	--

Telephones and telegrams	8,059.81	
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Office supplies and expenses	12,060.76	
--	-----------	--

Directors' fees	4,100.00	
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Auditors' fees and expenses	6,000.00	
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All other operating expenses	8,296.27	476,644.20
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Profit before adjustment of appropriations referred to below		\$ 649,614.38
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Add: Adjustment of provision made in 1948 to reduce Government of Canada securities to market value—excess of provision over present requirements

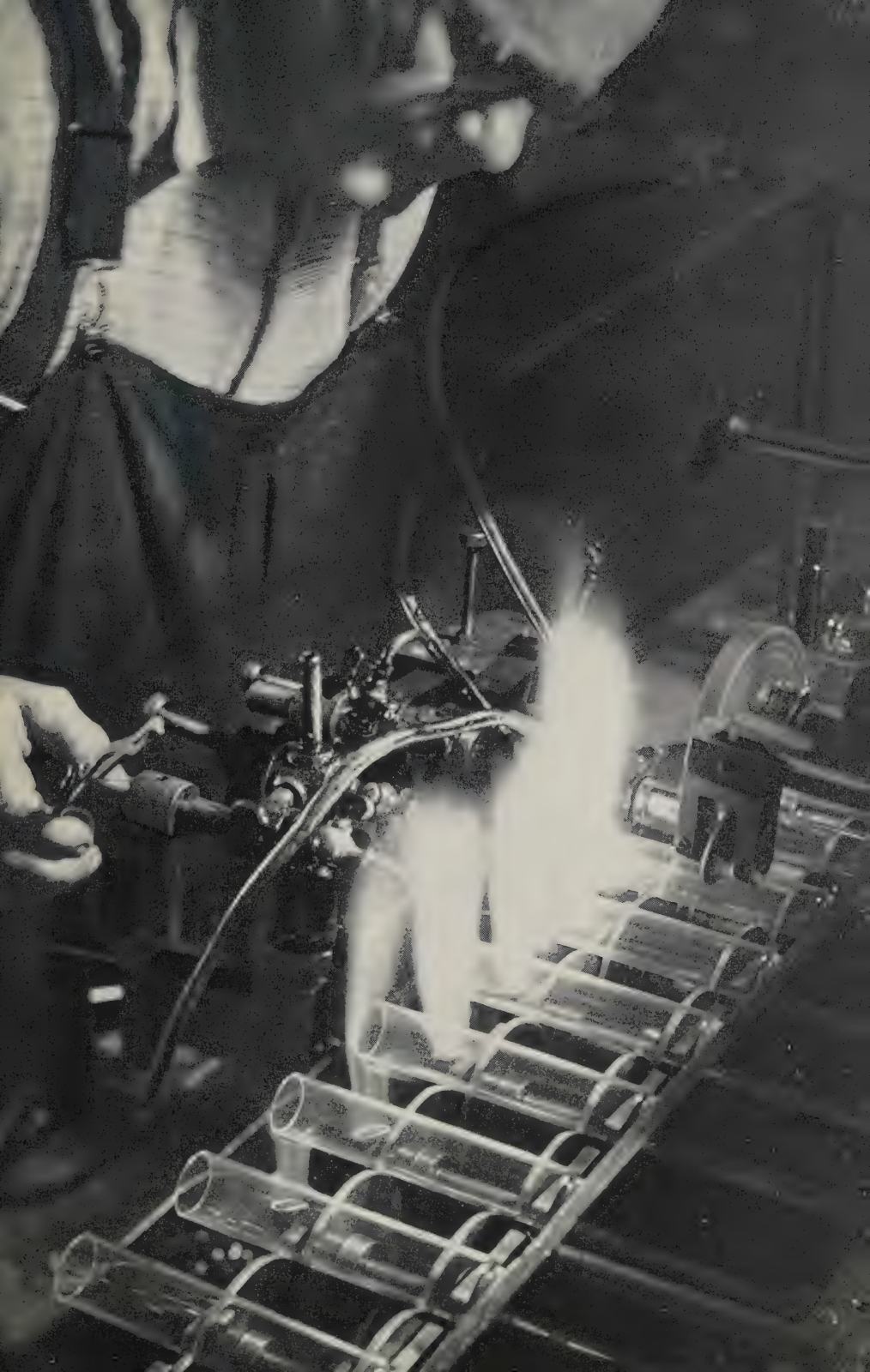
\$216,410.62

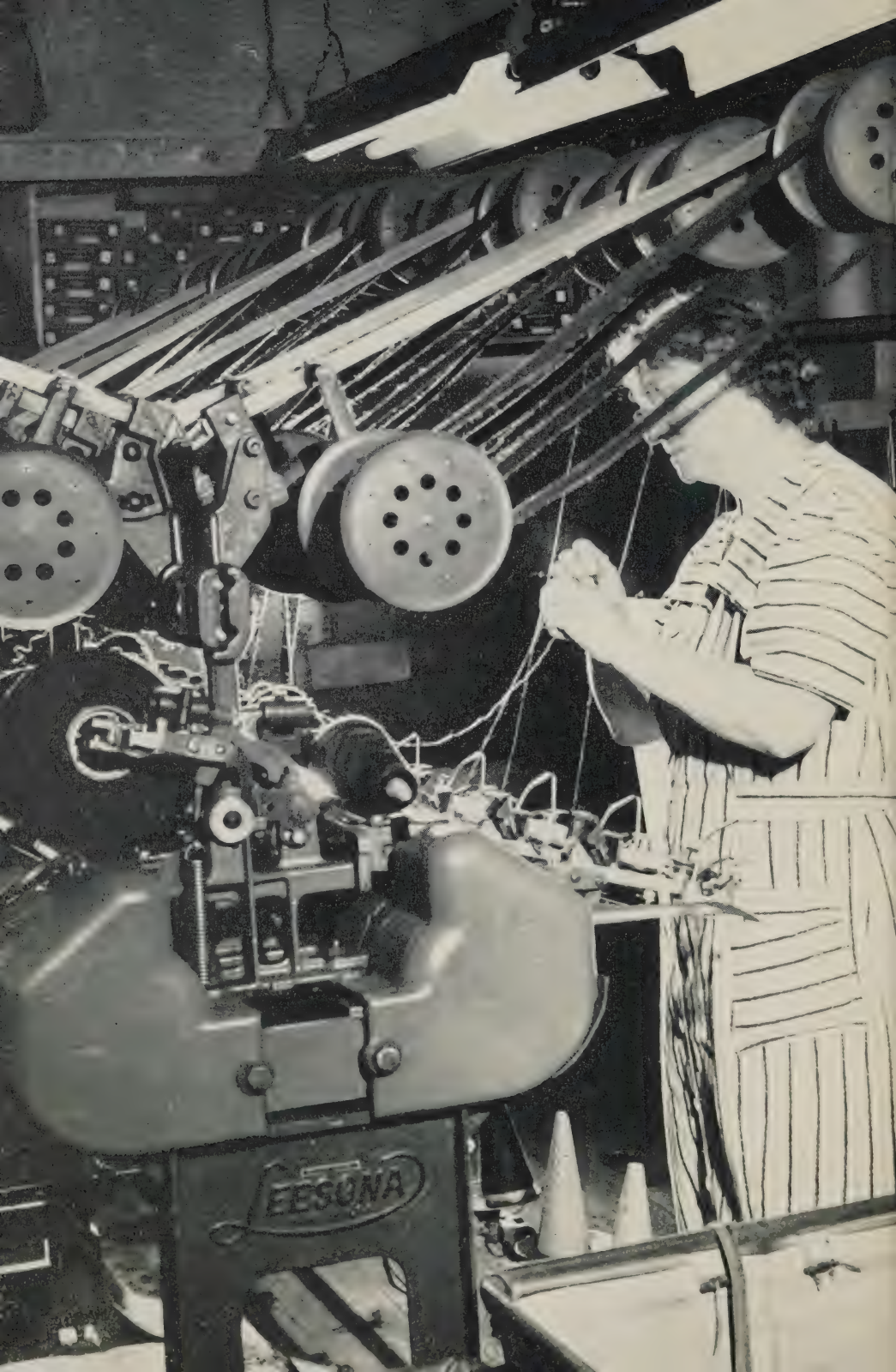
Less: Amount appropriated as reserve against loans, investments and guarantees

133,427.59

82,983.03

Balance transferred to reserve fund		<u>\$ 732,597.41</u>
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RESERVE FOR LOSSES

Balance 30th September 1948		\$ 300,000.00
Add: Recovery of debt previously written off	\$ 200.00	
Appropriation from profits for the year ended 30th September 1949	133,427.59	133,627.59
		<u>\$ 433,627.59</u>
Less bad debts written off		<u>33,627.59</u>
Balance 30th September 1949		<u><u>\$ 400,000.00</u></u>

RESERVE FUND

Balance 30th September 1948	\$ 783,612.09
Amount transferred from statement of profit and loss	732,597.41
Balance 30th September 1949	<u><u>\$1,516,209.50</u></u>

Statement of Assets and Liabilities

as at 30th September 1949

LIABILITIES

Capital: Authorized, issued and paid up— 250,000 shares par value \$100 each	\$25,000,000.00
Reserve fund	1,516,209.50
Contingent liability under guarantees and underwriting agreements	3,260,000.00
All other liabilities	47,461.84
Reserve for losses	400,000.00
	<u>\$30,223,671.34</u>

ASSETS

Cash on hand and deposits with other banks \$	41,196.76
Government of Canada securities at values not exceeding market	6,230,093.75
Loans and investments	20,315,625.63
Guarantees and underwriting agreements as per contra	3,260,000.00
Property held for sale	30,500.00
All other assets	346,255.20
	<u>\$30,223,671.34</u>

G. F. TOWERS, President

H. R. EXTENCE, Chief Accountant

AUDITORS' REPORT • We have made an examination of the statement of assets and liabilities of the Industrial Development Bank as at 30th September 1949 and have received all the information and explanations we have required. We report that in our opinion it correctly sets forth the position of the Bank at 30th September 1949, according to the best of our information and as shown by the books of the Bank.

F. E. H. GATES, C.A.,
of P. S. Ross & Sons

MAURICE SAMSON, C.A.,
of Chartre, Samson, Beauvais, Gauthier & Co.

Ottawa, Canada, 14th November 1949.

INDUSTRIAL DEVELOPMENT BANK

Incorporated under the Industrial Development Bank Act, 1944

HEAD OFFICE—OTTAWA, ONT.

GENERAL MANAGER'S OFFICE—MONTREAL, QUE.

Board of Directors

G. F. TOWERS, C.M.G., *President, Ottawa, Ont.*



E. G. BAKER, *Toronto, Ont.*

W. D. BLACK, *Member of the Executive Committee, Hamilton, Ont.*

W. C. CLARK, C.M.G., *Member of the Executive Committee, Ottawa, Ont.*

G. G. COOTE, *Nanton, Alta.*

D. GORDON, C.M.G., *Member of the Executive Committee, Ottawa, Ont.*

N. A. HESLER, *Sackville, N.B.*

A. STEWART McNICHOLS, *Montreal, Que.*

R. H. MILLIKEN, K.C., *Regina, Sask.* C. J. MORROW, *Lunenburg, N.S.*

A. C. PICARD, *Quebec, Que.*

L. P. SAINT-AMOUR, *Ottawa, Ont.* E. J. TARR, K.C., *Winnipeg, Man.*

A. C. TAYLOR, C.B.E., *Vancouver, B.C.*

Officers



G. F. TOWERS, C.M.G., *President*

S. R. NOBLE, O.B.E., *General Manager*

D. G. MARBLE, C.B.E., *Secretary*

A. N. H. JAMES, *Executive Assistant*

L. F. MUNDY, *Deputy Secretary*

H. R. EXTENCE, *Chief Accountant*

GENERAL MANAGER'S OFFICE

ALDRED BUILDING, PLACE D'ARMES, MONTREAL, QUE.

S. R. NOBLE, O.B.E., *General Manager*

A. N. H. JAMES, *Executive Assistant*

C. I. STUART, *Deputy Secretary*

L. VIAU, *Deputy Secretary*

BRANCHES

TORONTO, ONT., 85 RICHMOND STREET WEST

• J. C. INGRAM, *Supervisor*

WINNIPEG, MAN., 356 MAIN STREET

• D. T. MUSKETT, *Supervisor*

VANCOUVER, B.C., 475 HOWE STREET

• N. C. TOMPKINS, *Supervisor*

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Government
Publication:



INDUSTRIAL DEVELOPMENT BANK



Annual Report to the Minister of Finance

AND STATEMENT OF ACCOUNTS

Fiscal year **1950**

1543/50

INDUSTRIAL DEVELOPMENT BANK



"Whereas it is desirable to establish an industrial development bank to promote the economic welfare of Canada by increasing the effectiveness of monetary action through ensuring the availability of credit to industrial enterprises which may reasonably be expected to prove successful if a high level of national income and employment is maintained, by supplementing the activities of other lenders and by providing capital assistance to industry with particular consideration to the financing problems of small enterprises . . ."

—Preamble of the Industrial Development Bank Act

INDUSTRIAL DEVELOPMENT BANK

Ottawa, December 2nd, 1950

The Hon. D. C. Abbott, K.C., M.P.,
Minister of Finance,
Ottawa, Ontario.

Dear Sir, In accordance with the provisions of the Industrial Development Bank Act, I am enclosing herewith in duplicate a statement of the Bank's accounts for the fiscal year ended September 30th, 1950, signed by the President and Chief Accountant and verified by the auditors.

I also accompany this statement with comments on the affairs of the Bank, together with a classification of the Bank's loans, investments and guarantees.

I have again included a few photographs taken in factories of customers of the Bank as illustrations of the variety of activities in which it is interested. As was the case last year, they have been selected on grounds of general interest rather than size or location.

During the fiscal year under review the Industrial Development Bank Act 8 George VI Chapter 44 (1944) was amended by Act of Parliament 13 George VI Chapter 26 (1949). The major point of interest covered by the amendment was the raising of the limit on commitments in excess of \$200,000 to an aggregate of \$25,000,000 as against the previous figure of \$15,000,000. When the amendment was enacted existing credits in individual amounts in excess of \$200,000 plus tentative applications exceeded \$15,000,000. Because of prepayment of several large loans this is not the case at present.

Loans, Investments and Guarantees. The following table shows the number of new applications, including fresh applications from existing customers dealt with during the year with comparative figures for 1949. Although new applications dealt with by the Bank during the year, showed some reduction as compared with the previous year, an increasing number were of a character to satisfy the Bank's requirements and were accordingly authorized. On the average the new credits authorized were somewhat smaller in size than last year so that the total dollar amount of new authorizations was almost the same as in the previous year.

It will be noticed that an increasing number of applications from existing customers is a feature of our operations. These are usually to finance additional facilities or technical improvements. In addition to applications for increased advances as recorded, it has been necessary in many instances to re-arrange contract terms. The necessity to do so may have arisen from changed conditions in the particular industry or to unexpected developments in the business of the individual customer. We do not discourage applications for modification of terms of loan contracts where conditions indicate that this is a reasonable line of action. Our experience to date, however, is that the great majority of the Bank's loans are repaid in line with the original contract terms.

LOANS, INVESTMENTS AND GUARANTEES

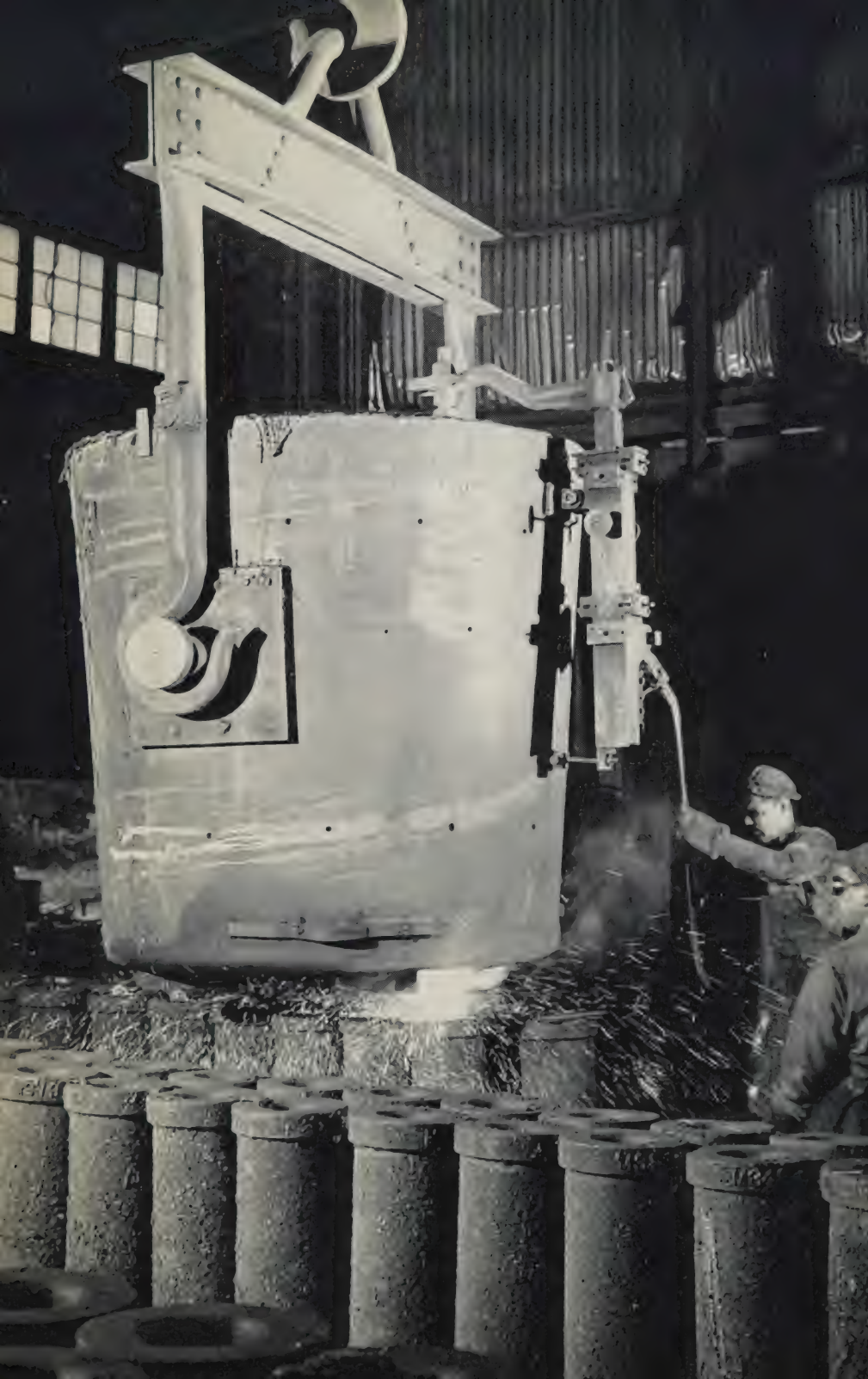
<u>New Applications</u>	<u>During</u> <u>1949</u>	<u>During</u> <u>1950</u>
Authorized	104	128
Refused	138	94
Withdrawn	78	61
	<u>320</u>	<u>283</u>
<u>Fresh Applications from Existing Borrowers</u>		
Authorized	46	61
Refused	3	1
Withdrawn	3	3
	<u>52</u>	<u>65</u>
Total applications handled	<u>372</u>	<u>348</u>

Statistics of the number and amount of loans do not fully reflect the service rendered by the Bank. We make it a point to keep closely in touch with customers' affairs, and wherever unsatisfactory developments are observed we endeavour to assist the borrower in correcting the situation. It is inevitable that a proportion of the businesses which we assist should experience difficulties. Through support and advice we have been able to resuscitate a number of such borrowers and in the comparatively moderate number of cases where bankruptcies have been experienced we have, in most cases, been able to liquidate our advances through sale of the mortgaged assets. The number of accounts in which actual losses have been experienced to date is eight, amounting to \$133,370.40. It is realized, of course, that our operations to date have been conducted in a period of very active business and that, under changed conditions, our experience might be different. On the other hand, it is felt that experience in this new field has enabled us to improve our technique and the quality of our staff.

In a moderate number of cases where our customers' commercial bankers have been unwilling to continue current financing and we felt that conditions justified further support, we have made advances under Section 19 of our Act of Incorporation (the equivalent of Section 88 of the Bank Act) either in the form of direct loans or through guarantees extended to the borrowers' commercial bankers. This is a type of business which we endeavour to avoid if at all possible. It is worth recording, however, that to date we have not had occasion to regret ventures into this field.

Statistics in the following tables illustrate changes in the Bank's business during the fiscal year 1950 and for the whole period of the Bank's operations to date.

	NUMBER	AMOUNT
<i>Loans, investments & guarantees authorized:</i>		
November 1, 1944 to September 30, 1949	690	\$46,341,210
October 1, 1949 to September 30, 1950	128	7,842,930
Total	818	\$54,184,140
LESS:		
<i>Cancellations of authorizations and reductions in amounts authorized:</i>		
November 1, 1944 to September 30, 1949	133	\$ 7,083,651
October 1, 1949 to September 30, 1950	19	1,168,800
Total	152	\$8,252,451
<i>Authorizations which have lapsed by reason of full repayment or write-off of loans:</i>		
November 1, 1944 to September 30, 1949	120	\$ 7,162,613
October 1, 1949 to September 30, 1950	57	3,064,493
Total	177	\$10,227,106
<i>Current authorizations as at September 30, 1950</i>	489	\$35,704,583
<i>Reductions by reason of partial repayment or write-down:</i>		
November 1, 1944 to September 30, 1949		\$ 4,573,236
October 1, 1949 to September 30, 1950		1,759,054
Total		\$ 6,332,290
<i>Net authorizations as at September 30, 1950</i>	489	\$29,372,293
<i>Disbursements:</i>		
November 1, 1944 to September 30, 1949		\$35,311,475
October 1, 1949 to September 30, 1950		6,592,642
Total		\$41,904,117
<i>Repayments and write-offs:</i>		
November 1, 1944 to September 30, 1949		\$11,735,849
October 1, 1949 to September 30, 1950		4,823,547
Total		\$16,559,396
<i>Outstanding:</i>		
Loans, investments & guarantees as at September 30, 1950		\$25,344,721





It continues to be the experience of the Bank that in quite a number of important cases investigation of the applicant's business by the Bank enables the applicant to borrow through other agencies. From the point of view of the general economy of the country such cases no doubt represent constructive development although the Bank incurs considerable cost without corresponding revenue.

The following tables show the classification of the Bank's loans, investments and guarantees by type of industry, by provinces and by size.

Classification of Loans, Investments and Guarantees

By Industrial Enterprises

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1950*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1950.	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1950.	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1950.
1. Foods and Beverages .	\$ 6,430,079	\$ 1,231,984	\$ 5,295,633	\$ 3,714,775
2. Tobacco and Tobacco Products . . . . .	....	....	....	....
3. Rubber Products . .	25,000	....	25,000	18,618
4. Leather Products . .	735,652	80,143	567,652	399,871
5. Textile Products (except Clothing) .	4,098,022	560,985	3,244,008	2,419,367
6. Clothing (Textiles & Fur) .	1,260,224	281,399	817,000	400,909
7. Wood Products . .	6,523,906	2,110,003	5,270,202	3,314,471
8. Paper Products (including Pulp) .	4,676,700	488,000	4,320,700	3,702,467
9. Printing, Publishing & Allied Industries .	1,459,489	266,309	732,300	454,077
10. Iron and Steel Products (including Machin- ery & Equipment) .	5,573,431	733,414	4,011,306	2,253,409
11. Transportation Equipment . . .	1,529,798	397,344	1,331,059	1,010,159
12. Non-Ferrous Metal Products	171,310	100,000	119,500	35,350
13. Electrical Apparatus & Supplies . . .	740,250	201,000	555,000	282,500
14. Non-Metallic Mineral Products	2,969,163	293,671	1,984,773	1,231,094
15. Products of Petroleum & Coal	1,638,599	50,000	940,000	900,661
16. Chemical Products .	3,715,731	408,617	2,541,842	2,147,892
17. Miscellaneous Manu- facturing Industries	1,166,672	347,561	875,500	522,040
18. Refrigeration . . .	3,122,663	292,500	2,978,108	2,494,061
19. Generating or Distri- buting of Electricity	95,000	....	95,000	43,000
	<hr/> \$45,931,689	<hr/> \$ 7,842,930	<hr/> \$35,704,583	<hr/> \$25,344,721

*Gross authorizations less cancellations and reductions of amounts authorized.

The above industrial classification follows the lines of the accepted international standard of classification.





By Provinces

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1950*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1950.	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1950.	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1950.
Newfoundland	\$	\$ 150,000	\$	\$
Prince Edward Island . .	71,000	11,000	54,000	43,819
Nova Scotia	955,386	156,678	610,986	457,917
New Brunswick	1,667,750	616,250	1,391,500	924,652
Quebec	16,490,633	2,703,029	12,449,303	8,613,711
Ontario	14,813,553	2,218,245	11,584,586	8,542,834
Manitoba	1,651,684	108,000	1,290,250	727,070
Saskatchewan	1,210,158	122,000	1,137,158	989,993
Alberta	2,934,136	345,606	1,959,500	1,129,691
British Columbia & Territories	6,137,389	1,412,122	5,227,300	3,915,034
	<u>\$45,931,689</u>	<u>\$ 7,842,930</u>	<u>\$35,704,583</u>	<u>\$25,344,721</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

By Size

	CURRENT AUTHORIZATIONS*	NUMBER OF CREDITS
\$ 5,000 and under	\$ 92,383	23
5,001 to \$ 25,000	3,035,954	204
25,001 to 50,000	3,809,633	97
50,001 to 100,000	6,213,794	84
100,001 to 200,000	8,442,919	55
Over \$200,000	14,109,900	26
	<u>\$35,704,583</u>	<u>489</u>

*Because of partial repayments on account of current authorizations the net authorizations were \$29,372,293 of which those in excess of \$200,000 totalled \$12,297,724.

The purpose and scope of the Bank's activities are steadily becoming better known. During the year the Bank issued a booklet describing in greater detail than in previous editions its functions and methods of operation. The wide circulation given this publication has no doubt led to an improved understanding and appreciation of the services offered. Our relationships with other financial institutions (mainly the commercial banks) continue to be satisfactory as evidenced by the ready co-operation we receive in most cases in resolving difficulties where we have mutual interests.

Organization In last year's report we mentioned that the planned trip of the Directors to the Maritime Provinces in the fall of 1949 had to be postponed. In June of the present year the majority of the Directors and a number of senior officers of the Bank completed a very interesting trip through New Brunswick and Nova Scotia, holding a regular meeting of the Board in Halifax. The President and some of the Directors also visited Prince Edward Island and Newfoundland.

In March of this year the General Manager's office was transferred to the new Bank of Canada Building in Montreal. The functional layout of the new quarters is contributing appreciably to the efficiency of the Bank's operations.

During the year there was a net addition of 1 to the staff, which now numbers 100. Of that number, 53 are male and 47

are female employees. Once again, I record with a great deal of pleasure my appreciation of the high quality of service rendered by the staff. I do not wish this to be regarded merely as a conventional statement. The character of the Bank's business is such that quite specialized supervision is necessary. To meet these conditions a special effort has been made to restrict staff membership to those with requisite ability and experience. I am pleased to state that I believe this effort has been successful.

Statement of Profit and Loss Income from all

sources for the year amounted to \$1,188,698.18 as compared with \$1,126,258.58 in 1949. Interest on the Bank's holdings of Government of Canada securities amounted to \$148,873.34 as against \$184,169.00 in 1949. Interest on loans, investments and guarantees etc., amounted to \$1,109,673.02, an increase of \$100,433.11 over the previous year's figure. Total expenses during the year, of which details are shown in the attached statement, amounted to \$530,905.88, as compared with \$476,644.20 in 1949.

Profit before adjustment and appropriation amounted to \$657,792.30, an increase of \$8,177.92 over the previous year's figure. We were able to transfer to profits \$109,540.32 from the reserve established in 1948, leaving the book value of our holdings of Government of Canada securities in line with market prices.

During the year under review an amount of \$65,602.69 was charged to Reserve for Losses in respect of bad debts. To restore the Reserve for Losses account to an amount of \$400,000.00 a similar amount has been charged against profits this year. The reserve of \$400,000.00 is considered ample to provide for losses in respect of accounts now on the books on the basis of our appraisal of the situation at the end of September.

The balance of profits for the year after making all appropriations amounted to \$701,729.93 and this has been transferred to Reserve Fund which now amounts to \$2,217,939.43.

General In my last report I mentioned that during the early part of 1949 an appreciable decline in U.S. business activity had taken place and there was at that time some uncertainty as to whether Canadian economic conditions might continue to be as favourable as they had been in the two preceding years. Events have proved that the decline in U.S. business was shortlived. Recently, business activity has reached boom proportions, largely due to the anticipated effect of defence spending. This buoyant condition has been reflected in Canada. The loss of Canadian export business caused by dollar shortages abroad has to a fairly large extent been taken up by increased sales to the United States.

The Bank has now been in operation for six years. On account of the extremely favourable business conditions during that period, conclusions cannot be drawn as to long term financial results. Depressed conditions would undoubtedly lead to





a number of tie-ups, if not losses, but I feel that experience to date has demonstrated that the Bank has filled a very useful place in our financial economy, and there are a number of successful industrial enterprises in Canada which have developed to an extent greater than would have been possible had the Bank's facilities not been available.

*I am, Dear Sir,
Yours faithfully,
G. F. TOWERS, President*

Statement of Profit and Loss

for the year ended 30th September 1950

Income

On Government of Canada securities:

Interest	\$148,873.34	
Less loss on sales	69,848.18	\$ 79,025.16
On loans, investments & guarantees		1,101,222.27
All other		8,450.75
		<u>\$1,188,698.18</u>

Expenses:

Salaries	\$365,724.15	
Pension fund and unemployment insurance and group insurance	46,208.10	
Investigation and supervision expenses (including travel)	17,223.51	
Travelling expenses—general	4,975.89	
Rental and other costs—leased premises	43,621.66	
Depreciation of office equipment	6,056.77	
Telephones and telegrams	8,206.34	
Office supplies and expenses	12,990.48	
Directors' fees	3,600.00	
Auditors' fees and expenses	6,000.00	
All other operating expenses	16,298.98	530,905.88
		<u></u>

Profit before adjustment of appropriations referred to below	\$657,792.30
---	--------------

Add: Adjustment of provision made in 1948 to reduce Government of Canada securities to market value—balance not required \$109,540.32

Less: Amount appropriated as reserve against loans, investments and guarantees	65,602.69	43,937.63
	<u></u>	<u></u>

Balance transferred to reserve fund	<u>\$701,729.93</u>
--	---------------------





RESERVE FOR LOSSES

Balance 30th September 1949	\$ 400,000.00
Add: Appropriation from profits for the year ended 30th September 1950	65,602.69
	<hr/>
	\$ 465,602.69
Less bad debts written off	65,602.69
	<hr/>
Balance 30th September 1950	<u><u>\$ 400,000.00</u></u>

RESERVE FUND

Balance 30th September 1949	\$1,516,209.50
Amount transferred from statement of profit and loss	701,729.93
	<hr/>
Balance 30th September 1950	<u><u>\$2,217,939.43</u></u>

Statement of Assets and Liabilities

as at 30th September 1950

LIABILITIES

Capital: Authorized, issued and paid up—	
250,000 shares par value \$100 each	\$25,000,000.00
Reserve Fund	2,217,939.43
Contingent liability under guarantees and underwriting agreements	3,405,500.00
All other liabilities	37,459.85
Reserve for losses	400,000.00
	<hr/>
	<u>\$31,060,899.28</u>

ASSETS

Cash on hand and deposits with other banks \$	244,370.62
Government of Canada securities at values not exceeding market	5,104,377.99
Loans and investments	21,939,221.46
Guarantees and underwriting agreements as per contra	3,405,500.00
Property held for sale	35,833.49
All other assets	331,595.72
	<hr/>
	<u>\$31,060,899.28</u>

G. F. TOWERS, President [H. R. EXTENCE, Chief Accountant

AUDITORS' REPORT • We have made an examination of the statement of assets and liabilities of the Industrial Development Bank as at 30th September 1950 and have received all the information and explanations we have required. We report that in our opinion it correctly sets forth the position of the Bank at 30th September 1950 according to the best of our information and as shown by the books of the Bank.

F. E. H. GATES, C.A.,
of P. S. Ross & Sons.

MAURICE SAMSON, C.A.,
of Chartré, Samson, Beauvais, Gauthier & Co.

Ottawa, Canada, 30th October 1950.

INDUSTRIAL DEVELOPMENT BANK

Incorporated under the Industrial Development Bank Act, 1944

HEAD OFFICE—OTTAWA, ONT.

GENERAL MANAGER'S OFFICE—MONTREAL, QUE.

Board of Directors

G. F. TOWERS, C.M.G., *President, Ottawa, Ont.*



E. G. BAKER, *Toronto, Ont.*

W. D. BLACK, *Member of the Executive Committee, Waterdown, Ont.*

W. C. CLARK, C.M.G., *Member of the Executive Committee, Ottawa, Ont.*

G. G. COOTE, *Nanton, Alta.*

J. E. COYNE, *Member of the Executive Committee, Ottawa, Ont.*

N. A. HESLER, *Sackville, N.B.*

A. STEWART McNICHOLS, *Montreal, Que.*

R. H. MILLIKEN, K.C., *Regina, Sask.*

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A. C. TAYLOR, C.B.E., *Vancouver, B.C.*

Officers



G. F. TOWERS, C.M.G., *President*

S. R. NOBLE, O.B.E., *General Manager*

D. G. MARBLE, C.B.E., *Secretary*

A. N. H. JAMES, *Executive Assistant*

L. F. MUNDY, *Deputy Secretary*

H. R. EXTENCE, *Chief Accountant*

GENERAL MANAGER'S OFFICE

901 VICTORIA SQUARE, MONTREAL, QUE.

S. R. NOBLE, O.B.E., *General Manager*

A. N. H. JAMES, *Executive Assistant*

C. I. STUART, *Deputy Secretary*

L. VIAU, *Deputy Secretary*

BRANCHES

TORONTO, ONT., 85 RICHMOND STREET, WEST . . . J. C. INGRAM, *Supervisor*

WINNIPEG, MAN., 356 MAIN STREET . . . D. T. MUSKETT, *Supervisor*

VANCOUVER, B.C., 475 HOWE STREET . . . N. C. TOMPKINS, *Supervisor*

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Government
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INDUSTRIAL DEVELOPMENT BANK



Annual Report to the Minister of Finance

AND STATEMENT OF ACCOUNTS

Fiscal year **1951**

1950/51

INDUSTRIAL DEVELOPMENT BANK

idb

“Whereas it is desirable to establish an industrial development bank to promote the economic welfare of Canada by increasing the effectiveness of monetary action through ensuring the availability of credit to industrial enterprises which may reasonably be expected to prove successful if a high level of national income and employment is maintained, by supplementing the activities of other lenders and by providing capital assistance to industry with particular consideration to the financing problems of small enterprises . . .”

—Preamble of the Industrial Development Bank Act

Ottawa, December 7th, 1951

The Hon. D. C. Abbott, K.C., M.P.,

Minister of Finance,

Ottawa.

Dear Sir. In accordance with the provisions of the Industrial Development Bank Act I am enclosing herewith, in duplicate, a statement of the Bank's accounts for the fiscal year ending September 30th, 1951, signed by the President and Chief Accountant and certified by the Auditors. As usual I am including a classification of the Bank's loans, investments and guarantees.

Loans, Investments and Guarantees. During the past year the number of new applications for credit declined to 247 as compared with 283 in 1950 and 320 in 1949. The number of new applications which culminated in authorized credits was virtually the same in 1951 as in 1950. There was thus a further increase in the proportion of total applications which proved to be of a character to satisfy the Bank's requirements, indicating that potential borrowers now have a clearer understanding of the function which the Bank is expected to perform, and therefore of the kind of application to which it is possible to give favourable consideration. This trend, which has been evident for several years, was accentuated during the 1951 fiscal year by the efforts of the Bank to discourage applications for purposes which were not likely to contribute to the defence programme or to the general strength of the economy. Our policy in this respect was of course related to the general desirability of credit restraint at a time when the total demand for labour and materials threatened to outstrip the available supply.

The disposition of applications dealt with by the Bank during the last three fiscal years has been as follows:

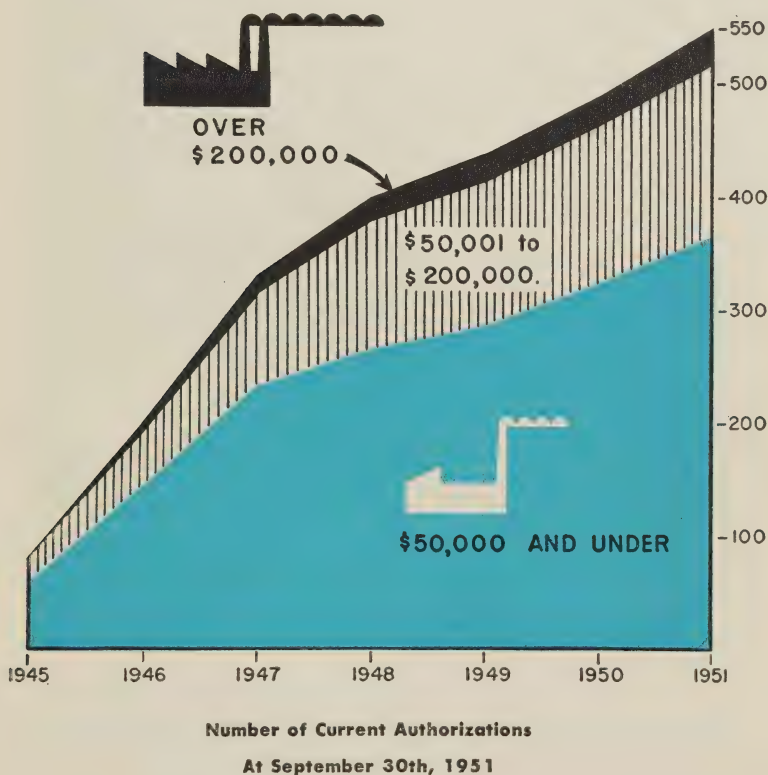
New Applications	During 1949	During 1950	During 1951
Authorized	104	128	127
Refused	138	94	65
Withdrawn	78	61	55
	<u>320</u>	<u>283</u>	<u>247</u>
Applications from Existing Borrowers			
Authorized	46	61	72
Refused	3	1	8
Withdrawn	3	3	10
	<u>52</u>	<u>65</u>	<u>90</u>
Total applications handled . . .	<u>372</u>	<u>348</u>	<u>337</u>

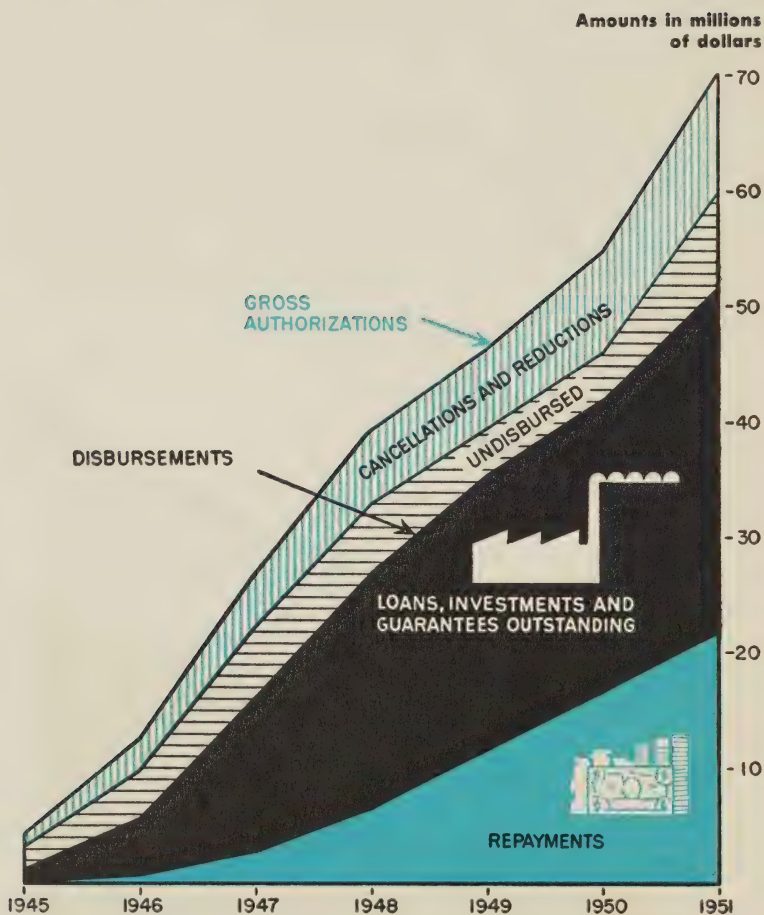
The extension of credit to finance operations closely related to the defence programme was of considerable importance in the dollar figures of authorizations during the fiscal year 1951. Loans in this category were not large in number but were substantial in average amount. The average amount of other authorized credits increased only moderately during the year, and the typical borrower continued to be the small industrial enterprise for which other sources of medium and long-term funds were not available.

During the year the level of yields on securities and the cost of borrowing in the market increased, and the Bank raised the minimum interest rate at which it is normally prepared to make funds available from 5 percent per annum to 5½ percent per annum.

The number of current authorizations and their distribution by size at the end of each fiscal year are presented in the graph at the foot of this page. It will be noted that the number of current authorizations at fiscal year ends has grown more or less steadily since the Bank commenced operations late in 1944 and stood at 548 as at September 30th, 1951.

The table on page 7 summarizes the authorizations, disbursements and repayments during the fiscal year 1951 and for the whole period of the Bank's operations to date. It is followed in turn by tables showing the classification of the Bank's loans, investments and guarantees by type of industry, by province and by size.





Authorizations, Disbursements and Repayments
Cumulative to September 30th, 1951

	NUMBER	AMOUNT
<i>Loans, investments & guarantees authorized:</i>		
November 1, 1944 to September 30, 1950	818	\$54,184,140
October 1, 1950 to September 30, 1951	127	15,705,865
Total	945	\$69,890,005
LESS:		
<i>Cancellations of authorizations and reductions in amounts authorized:</i>		
November 1, 1944 to September 30, 1950	152	\$ 8,252,451
October 1, 1950 to September 30, 1951	13	1,491,879
Total	165	\$ 9,744,330
<i>Authorizations which have lapsed by reason of full repayment or write-off:</i>		
November 1, 1944 to September 30, 1950	177	\$10,227,106
October 1, 1950 to September 30, 1951	55	4,674,289
Total	232	\$14,901,395
<i>Current authorizations as at September 30, 1951</i>	548	\$45,244,280
<i>Reductions by reason of partial repayment or write-down:</i>		
November 1, 1944 to September 30, 1950		\$ 6,332,290
October 1, 1950 to September 30, 1951		571,406
Total		\$ 6,903,696
<i>Net authorizations as at September 30, 1951</i>	548	\$38,340,584
<i>Disbursements on loans and investments:</i>		
November 1, 1944 to September 30, 1950		\$38,311,617
October 1, 1950 to September 30, 1951		12,309,207
Total		\$50,620,824
<i>Repayments and write-offs on loans and investments:</i>		
November 1, 1944 to September 30, 1950		\$16,372,396
October 1, 1950 to September 30, 1951		5,050,695
Total		\$21,423,091
<i>Outstanding as at September 30, 1951:</i>		
Loans and investments		\$29,197,733
Guarantees		227,500
Total		<u>\$29,425,233</u>

Classification of Loans, Investments and Guarantees

By Industrial Enterprises

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1951*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1951.	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1951.	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1951.
1. Foods and Beverages	\$ 7,776,650	\$ 1,859,571	\$ 5,472,283	\$ 3,989,082
2. Tobacco and Tobacco Products . . . . .	....	....	....	....
3. Rubber Products	25,000	....	....	....
4. Leather Products	938,152	202,500	762,500	482,759
5. Textile Products (except Clothing)	4,786,014	750,527	3,004,361	2,557,539
6. Clothing (Textiles & Fur)	2,112,024	851,800	1,511,150	926,374
7. Wood Products	9,110,880	2,600,974	7,272,654	5,043,826
8. Paper Products (including Pulp)	4,901,875	258,100	4,337,675	4,018,443
9. Printing, Publishing & Allied Industries	1,447,489	238,000	706,000	438,061
10. Iron and Steel Products (including Machin- ery & Equipment)	6,488,978	1,392,748	4,316,606	2,395,399
11. Transportation Equipment	2,290,285	817,605	2,028,664	999,957
12. Non-Ferrous Metal Products	319,110	147,800	263,500	239,667
13. Electrical Apparatus & Supplies	1,004,250	276,000	754,000	341,671
14. Non-Metallic Mineral Products	3,621,059	661,896	2,119,469	1,568,258
15. Products of Petroleum & Coal	2,138,599	500,000	1,440,000	814,661
16. Chemical Products	8,240,115	4,579,484	6,982,310	2,240,129
17. Miscellaneous Manu- facturing Industries	1,179,532	12,860	899,500	678,780
18. Refrigeration	3,670,663	556,000	3,278,608	2,663,627
19. Generating or Distri- buting of Electricity	95,000	....	95,000	27,000
	<hr/> \$60,145,675	<hr/> \$15,705,865	<hr/> \$45,244,280	<hr/> \$29,425,233

*Gross authorizations less cancellations and reductions of amounts authorized.

The above industrial classification follows the lines of the accepted international standard of classification.

By Provinces

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1951*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1951.	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1951.	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1951.
Newfoundland	\$	\$ 425,000	\$	\$
Prince Edward Island . .	71,000	. . . .	54,000	34,032
Nova Scotia	1,082,368	127,100	655,044	428,538
New Brunswick	1,942,549	276,049	1,103,298	951,178
Quebec	25,206,834	9,193,112	20,222,466	11,044,824
Ontario	16,487,162	1,849,209	11,648,564	8,752,736
Manitoba	1,880,584	305,900	1,449,250	742,002
Saskatchewan	2,290,658	1,080,500	2,142,658	1,462,492
Alberta	3,025,384	119,248	1,153,200	903,164
British Columbia & Territories	8,159,136	2,329,747	6,815,800	5,106,267
	<u>\$60,145,675</u>	<u>\$15,705,865</u>	<u>\$45,244,280</u>	<u>\$29,425,233</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

By Size

	CURRENT AUTHORIZATIONS AT SEPTEMBER 30, 1951*	NUMBER OF CREDITS
\$ 5,000 and under	\$ 74,230	18
5,001 to \$ 25,000	3,547,099	233
25,001 to 50,000	4,417,575	114
50,001 to 100,000	6,897,262	91
100,001 to 200,000	8,728,714	57
Over \$200,000	21,579,400	35
	<u>\$45,244,280</u>	<u>548</u>

*Because of partial repayments on account of current authorizations the net authorizations were \$38,340,584 of which those in excess of \$200,000 totalled \$19,512,690.

In earlier reports I have on occasion compared the geographical distribution of credits authorized by the Bank with that of the number of persons employed in the manufacturing industries. As at the end of the Bank's fiscal year the position was as follows:

AREA	*PERCENTAGE OF GROSS AUTHORIZATIONS	**PERCENTAGE OF POPULATION EMPLOYED IN MANUFACTURING 1949
Maritimes	5.7	5.5
Quebec	40.6	33.3
Ontario	28.7	47.4
Prairies	11.5	6.7
British Columbia	13.5	7.1

*Before cancellations and reductions on amounts authorized.

**Source: Dominion Bureau of Statistics.

In the fiscal year ending September 30th, 1951, the Bank made cash disbursements of \$12,309,207 on loans and investments. This amount included the effect of a transfer during the course of the year from the category of guarantees and underwriting agreements to that of loans and investments, the extent of which is indicated approximately by the decline in the contingent liability under guarantees and underwriting agreements as shown on our balance sheet.

Of the funds required to make the cash disbursements referred to in the preceding paragraph, \$1,250,000 was obtained by the issue of Industrial Development Bank debentures sold to the Bank of Canada as provided for in Section 13 of the Industrial Development Bank Act. They are the outstanding portion of an issue of \$5,000,000 dated May 1st, 1951, maturing May 1st, 1954, bearing interest at the rate of 2¾ percent per annum.

Staff During the year there was a decline of 5 in the number of the staff which is now 95. I wish to record my appreciation of the high quality of service which has been rendered by the staff.

Statement of Profit and Loss Income on loans, investments and guarantees for the year amounted to \$1,255,918, an increase of \$154,696 over the previous year. Interest on Government of Canada securities amounted to \$46,654 as against \$148,873 in 1950. During the fiscal year the Bank's holdings of Government of Canada securities were liquidated in order to obtain funds to make disbursements on loans and investments.

The item "Interest on debentures" appears for the first time amongst the Bank's expenses; the amount for the fiscal year 1951 was \$3,089. All other expenses, of which details are shown in the attached statement, amounted to \$588,556 compared with \$530,906 in 1950.

Profits before appropriation amounted to \$666,017, an increase of \$8,224 over the previous year's figure. During the year under review an amount of \$3,202 was charged to Reserve for Losses in respect of write-offs, and \$519 was recovered on debts previously written off. The difference of \$2,683 has been charged against profit this year in order to restore the Reserve for Losses account to \$400,000. This reserve is considered ample to provide for losses in respect of accounts now on the Bank's books on the basis of our appraisal of the situation at the end of September 1951. The balance of profits for the year, after appropriations, amounted to \$663,334 and this amount has been transferred to Reserve Fund, bringing it to \$2,881,273 at the close of the fiscal year.

I am, Dear Sir,

Yours faithfully,

G. F. TOWERS, President.

Statement of Profit and Loss

for the year ended 30th September 1951

Income

On loans, investments and guarantees	\$1,255,918.20
Sundry	<u>15,273.68</u>
	1,271,191.88

Deduct

Loss on sale of Government of Canada securities	\$ 60,184.46	
Less Interest thereon	<u>46,654.39</u>	<u>13,530.07</u>
		\$1,257,661.81

Expenses:

Salaries	400,002.56	
Pension fund, unemployment insurance and group insurance	51,736.62	
Investigation and supervision expenses (including travel)	15,177.88	
Travelling expenses—general	9,039.89	
Rental and other costs—leased premises	51,998.47	
Depreciation of office equipment	6,695.64	
Telephones and telegrams	12,669.72	
Office supplies and expenses	8,956.29	
Directors' fees	5,550.00	
Auditors' fees and expenses	6,000.00	
All other operating expenses	<u>20,729.13</u>	<u>588,556.20</u>
Profit before undermentioned items		\$ 669,105.61

Deduct:

Interest on debentures	3,089.04	
Amount appropriated to Reserve for Losses	<u>2,683.04</u>	<u>5,772.08</u>

Balance transferred to Reserve Fund	<u>\$ 663,333.53</u>
--	----------------------

RESERVE FOR LOSSES

Balance 30th September 1950 . . .		\$ 400,000.00
Add:		
Recovery of debts previously written off	\$ 519.35	
Appropriation from profits for the year ended 30th September 1951 .	2,683.04	3,202.39
		<hr/>
		\$ 403,202.39
Less bad debts written off		3,202.39
		<hr/>
Balance 30th September 1951 . . .		\$ 400,000.00
		<hr/> <hr/>

RESERVE FUND

Balance 30th September 1950 . . .	\$2,217,939.43
Amount transferred from statement of profit and loss	663,333.53
	<hr/>
Balance 30th September 1951 . . .	\$2,881,272.96
	<hr/> <hr/>

Statement of Assets and Liabilities

as at 30th September 1951

LIABILITIES

Capital: Authorized, issued and paid up—	
250,000 shares par value \$100 each	\$25,000,000.00
Reserve Fund	2,881,272.96
Bonds and debentures, outstanding	1,250,000.00
Contingent liability under guarantees and underwriting agreements	227,500.00
All other liabilities	102,852.93
Reserve for Losses	400,000.00
	<hr/>
	\$29,861,625.89
	<hr/>

ASSETS

Cash on hand and deposits with other banks \$	66,664.09
Loans and investments	29,197,733.50
Guarantees and underwriting agreements as per contra	227,500.00
Property held for sale	36,520.52
All other assets	333,207.78
	<hr/>
	\$29,861,625.89
	<hr/>

G. F. TOWERS, President

H. R. EXTENCE, Chief Accountant

AUDITOR'S REPORT ● We have made an examination of the statement of assets and liabilities of the Industrial Development Bank as at 30th September 1951 and have received all the information and explanations we have required. We report that in our opinion it correctly sets forth the position of the Bank at 30th September 1951, according to the best of our information and as shown by the books of the Bank.

E. J. HOWSON, F.C.A.

JEAN VALIQUETTE, C.A.

of Thorne, Mulholland, Howson & McPherson.

of Anderson & Valiquette.

Ottawa, Canada, 31st October 1951.

INDUSTRIAL DEVELOPMENT BANK

Incorporated under the Industrial Development Bank Act, 1944

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GENERAL MANAGER'S OFFICE — MONTREAL, QUE.

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•

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GENERAL MANAGER'S OFFICE

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VANCOUVER, B.C., 475 HOWE STREET N. C. TOMPKINS, *Supervisor*

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Government
Publications

INDUSTRIAL DEVELOPMENT BANK



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Annual Report to the Minister of Finance

AND STATEMENT OF ACCOUNTS

Fiscal year **1952**

1951/52

INDUSTRIAL DEVELOPMENT BANK



*“Whereas it is desirable to establish an industrial
development bank to promote the economic welfare of
Canada by increasing the effectiveness of monetary action
through ensuring the availability of credit to industrial
enterprises which may reasonably be expected to prove successful
if a high level of national income and employment is
maintained, by supplementing the activities of other
lenders and by providing capital assistance to industry
with particular consideration to the financing
problems of small enterprises . . .”*

—Preamble of the Industrial Development Bank Act

Ottawa, December 8th, 1952.

The Hon. D. C. Abbott, Q.C., M.P.,
Minister of Finance,
Ottawa.

Dear Sir, In accordance with the provisions of the Industrial Development Bank Act, I am enclosing herewith, in duplicate, a statement of the Bank's accounts for the fiscal year ending September 30th, 1952, signed by the President and Chief Accountant and certified by the Auditors. As usual I am including a classification of the Bank's loans, investments and guarantees, together with a general review of the Bank's affairs and statistics pertaining to the operations of this past fiscal year.

During the year under review, the Industrial Development Bank Act was amended in two respects which are worth noting. First, the scope of the Bank's lending powers was widened to include existing or new commercial air services in Canada. There was evidence that medium-term credit, needed by efficiently operated commercial air services to replace obsolete equipment and to augment present fleets, was not normally obtainable from other sources, and this amendment to the Act permits the Bank to provide such financing. Secondly, the limit on the aggregate of individual commitments in excess of \$200,000 which the Bank may make was raised. This limit, which had been moved up in 1949 from \$15,000,000 to \$25,000,000 was further increased to an aggregate of \$50,000,000 by the new amendment. Among the reasons for this change was the possibility that, with the existing limit for larger loans nearly reached, the Bank might find it impossible to give needed assistance to worthy enterprises. As the Bank has the authority to bring its total loanable resources up to \$100,000,000 it still has ample capacity to assist enterprises requiring smaller loans. At the end of the fiscal year under review, current authorizations on loans, investments and guarantees, individually in excess of \$200,000 amounted to \$24,103,314, while net authorizations in this category (after allowing for partial repayments on account of current authorizations) totalled \$21,096,464.

Loans, Investments and Guarantees. During the past year the number of new eligible applications for credit declined to 196 compared with 247 in 1951, and 283 in 1950. The number of new applications

culminating in authorized credits also declined, from 127 in 1951 to 111 in the last fiscal year. Applications from existing borrowers, which had been increasing in recent years, also declined in 1952. Full details of the disposition of applications received by the Bank during the last three fiscal years are given below:

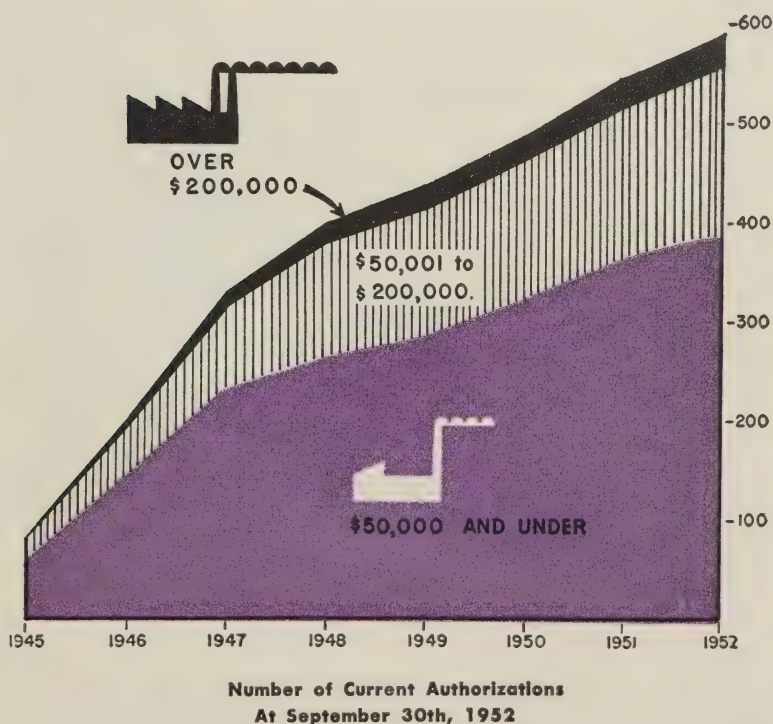
New Applications	During 1950	During 1951	During 1952
Authorized	128	127	111
Refused	94	65	48
Withdrawn	61	55	37
	<u>283</u>	<u>247</u>	<u>196</u>
Applications from Existing Borrowers			
Authorized	61	72	49
Refused	1	8	3
Withdrawn	3	10	4
	<u>65</u>	<u>90</u>	<u>56</u>
Total Applications Handled .	<u><u>348</u></u>	<u><u>337</u></u>	<u><u>252</u></u>

The volume and character of the Bank's operations in the past year were affected by certain changes in economic conditions. The overall level of general business activity remained buoyant but some industries experienced a contraction in their markets. A somewhat lower level of consumer buying, which developed in the spring of 1951, led to a period of inventory liquidation on the part of retailers. This resulted in contracted markets for some consumer goods industries, notably household appliances, clothing and other textiles. Similarly, less activity in housing construction resulted in a reduced demand for certain types of building materials. In addition, during the first half of the fiscal year, the operations of the Bank were influenced by the need for credit restraint, which required more than the usual careful scrutiny of applications which could not clearly be justified on the basis of their contribution to the defence programme. This policy was in force until the beginning of May, 1952. For all these reasons, there was during most of the fiscal year less demand for capital financing from a fairly wide group of industries, which in the past have sought our assistance. On the other hand, in the latter months of the period under review, there was an acceleration in the volume of defence orders and a continuation of heavy capital expenditure in the development of defence and defence-supporting industries, as well as in the development of natural resources. While the number of loans the Bank has made in these categories has not been large, the total amount of credit involved has been fairly substantial. It is of interest to note in this connection that during the last two fiscal years approximately 40 per cent of the credits authorized by the Bank have been in three main categories: chemicals, iron and steel products and petroleum products—which are almost entirely of a defence or defence-supporting character.

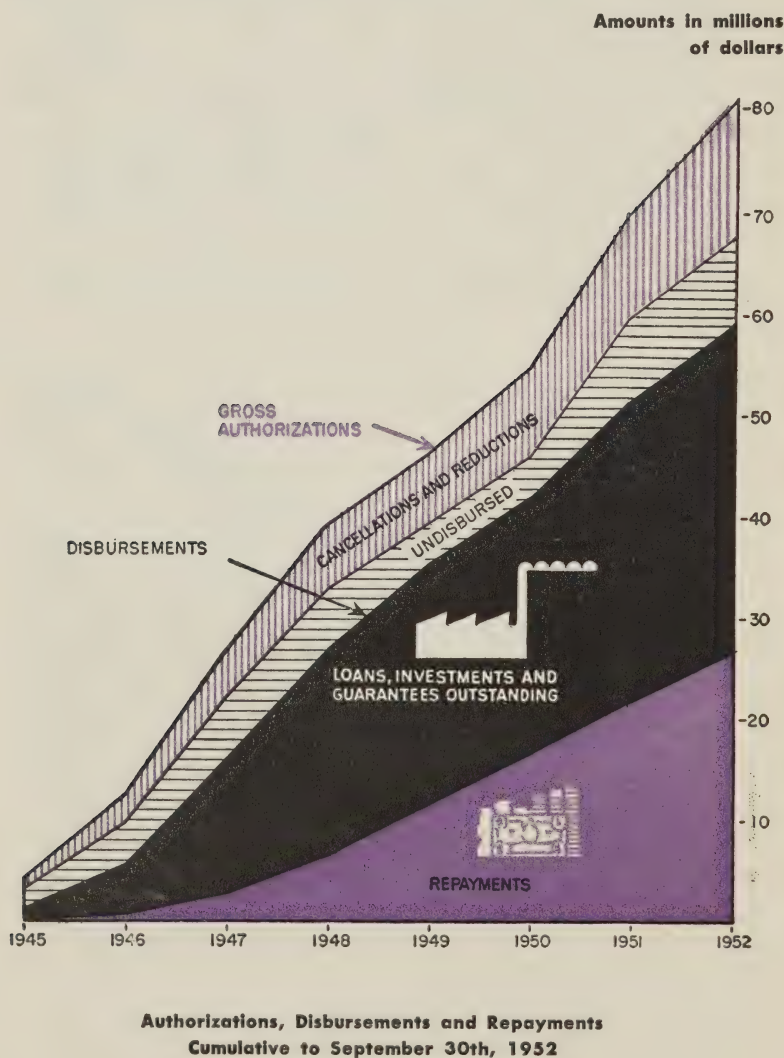
Total cash disbursements on loans and investments in the fiscal year ending September 30, 1952, amounted to \$8,908,916 compared with \$12,309,207 in the previous year. After allowing for repayments and write-offs the total amount of loans and investments outstanding rose by \$4,189,342 over the year to \$33,387,075. Of the funds required to make this net disbursement, \$2,600,000 was obtained by sale of the Bank's debentures to Bank of Canada, as provided for in Section 13 of the Industrial Development Bank Act. The total amount of debentures at the end of the fiscal year was thus increased to \$3,850,000. The terms on which our debentures have been sold to the Bank of Canada varied with market yields for Government of Canada securities of comparable maturities.

The increase in the cost of funds during the year caused the Bank again to raise the interest rate at which it is prepared to make funds available to a maximum of 6 per cent.

The rise in outstanding loans and investments mentioned above is also reflected in the number of current authorizations which stood at 583 at September 30th, 1952, compared with 548 at the end of fiscal 1951. More complete details of the number of current authorizations at each fiscal year-end since the commencement of the Bank's operations in 1944 and their distribution by size are given in the graph which follows:



The tables which follow on pages 7 to 9 are, first a summary of the authorizations, disbursements and repayments during the fiscal year 1952 and of the whole period of the Bank's operations to date and, secondly, tables showing the classification of the Bank's loans, investments and guarantees by industrial enterprise, by province and by size.



**SUMMARY OF AUTHORIZATIONS, DISBURSEMENTS AND REPAYMENTS
DURING FISCAL YEAR 1952 AND FOR THE WHOLE PERIOD OF THE
BANK'S OPERATIONS TO DATE**

	NUMBER	AMOUNT
<i>Loans, investments & guarantees authorized:</i>		
November 1, 1944 to September 30, 1951	945	\$69,890,005
October 1, 1951 to September 30, 1952	111	10,943,590
Total	1,056	\$80,833,595
LESS:		
<i>Cancellations of authorizations and reductions in amounts authorized:</i>		
November 1, 1944 to September 30, 1951	165	\$ 9,744,330
October 1, 1951 to September 30, 1952	22	3,806,899
Total	187	\$13,551,229
<i>Authorizations which have lapsed by reason of full repayment or write-off:</i>		
November 1, 1944 to September 30, 1951	232	\$14,901,395
October 1, 1951 to September 30, 1952	54	2,776,377
Total	286	\$17,677,772
<i>Current authorizations as at September 30, 1952</i>	583	\$49,604,594
<i>Reductions by reason of partial repayment or write-down:</i>		
November 1, 1944 to September 30, 1951		\$ 6,903,696
October 1, 1951 to September 30, 1952		1,958,197
Total		\$ 8,861,893
<i>Net authorizations as at September 30, 1952</i>	583	\$40,742,701
<i>Disbursements on loans and investments:</i>		
November 1, 1944 to September 30, 1951		\$50,620,824
October 1, 1951 to September 30, 1952		8,908,916
Total		\$59,529,740
<i>Repayments and write-offs on loans and investments:</i>		
November 1, 1944 to September 30, 1951		\$21,423,091
October 1, 1951 to September 30, 1952		4,719,574
Total		\$26,142,665
<i>Outstanding as at September 30, 1952:</i>		
Loans and investments		\$33,387,075
Guarantees		242,500
Total		\$33,629,575

Classification of Loans, Investments and Guarantees

By Industrial Enterprises

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1952*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1952	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1952	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1952
1. Foods and Beverages . . .	\$ 8,693,548	\$ 993,398	\$ 5,506,092	\$ 3,622,682
2. Tobacco and Tobacco Products . . . . .	....	....	....	....
3. Rubber Products	25,000	....	....	....
4. Leather Products	928,152	280,000	737,500	420,173
5. Textile Products (except Clothing)	5,055,110	274,096	3,191,659	2,457,813
6. Clothing (Textiles & Fur)	1,965,024	187,500	1,354,150	862,156
7. Wood Products	9,712,200	1,163,894	7,446,260	5,463,170
8. Paper Products (including Pulp)	5,234,375	432,500	4,335,600	4,004,988
9. Printing, Publishing & Allied Industries	1,512,989	85,000	710,000	374,138
10. Iron and Steel Products (including Machin- ery & Equipment)	7,609,584	1,244,579	5,064,462	3,136,606
11. Transportation Equipment	2,984,285	694,000	2,673,664	1,990,661
12. Non-Ferrous Metal Products	481,110	173,000	448,500	228,193
13. Electrical Apparatus & Supplies	1,302,850	928,600	1,060,100	692,749
14. Non-Metallic Mineral Products	4,134,551	553,492	2,481,461	1,777,568
15. Products of Petroleum & Coal	3,678,599	1,790,000	2,880,000	776,661
16. Chemical Products	8,269,149	1,229,034	6,994,343	4,738,824
17. Miscellaneous Manu- facturing Industries	1,193,832	26,000	740,000	494,002
18. Refrigeration	4,057,008	388,497	3,630,803	2,589,191
19. Generating or Distri- buting of Electricity	345,000	250,000	250,000	....
20. Commercial Air Services	100,000	250,000	100,000	....
	<hr/> \$67,282,366	<hr/> \$10,943,590	<hr/> \$49,604,594	<hr/> \$33,629,575

*Gross authorizations less cancellations and reductions of amounts authorized.

The above industrial classification follows the lines of the accepted international standard of classification.

By Provinces

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1952*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1952	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1952	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1952
Newfoundland	\$	\$ 250,000	\$	\$
Prince Edward Island . .	112,000	41,000	90,000	55,691
Nova Scotia	1,110,106	37,738	671,182	429,755
New Brunswick	2,307,639	365,090	1,337,721	982,260
Quebec	27,806,370	3,873,195	21,719,259	14,845,570
Ontario	17,712,252	1,824,590	11,820,949	8,169,533
Manitoba	2,203,584	397,500	1,582,250	790,469
Saskatchewan	3,849,098	1,578,592	3,618,848	1,331,460
Alberta	3,383,884	1,558,500	1,485,200	1,035,058
British Columbia & Territories	8,797,433	1,017,385	7,279,185	5,989,779
	<u>\$67,282,366</u>	<u>\$10,943,590</u>	<u>\$49,604,594</u>	<u>\$33,629,575</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

By Size

	CURRENT AUTHORIZATIONS AT SEPTEMBER 30, 1952*	NUMBER OF CREDITS
\$ 5,000 and under	\$ 72,868	17
5,001 to 25,000	3,806,672	246
25,001 to 50,000	4,515,272	114
50,001 to 100,000	8,129,268	107
100,001 to 200,000	8,977,200	61
Over \$200,000	24,103,314	38
	<u>\$49,604,594</u>	<u>583</u>

*Because of partial repayments on account of current authorizations the net authorizations were \$40,742,701 of which those in excess of \$200,000 totalled \$21,096,464.

As in earlier reports, I am including a regional comparison of credits authorized by the Bank at the end of the last fiscal year and the number of persons employed in manufacturing industries. The results of this comparison are given below:

Region	DISTRIBUTION OF GROSS AUTHORIZA- TIONS (1)	DISTRIBUTION OF MANUFACTURING EMPLOYEES IN 1951 (2)
	%	%
Atlantic Provinces	5.8	6.4
Quebec	39.9	34.3
Ontario	27.1	44.4
Prairie Provinces	14.3	7.6
British Columbia	12.9	7.3

(1) Before cancellations and reductions on amounts authorized.

(2) Source: Dominion Bureau of Statistics.

Staff During the year there was a further decline in the number of the staff from 95 to 93 at September 30th. I would like to express my appreciation of the loyalty and continued high quality of service which has been rendered by the staff.

Statement of Profit and Loss I am including below a comparative analysis of the profit and loss statement for the year ending September 30th, 1952, with the statement for the previous year:

	YEAR ENDING SEPT. 30/52	YEAR ENDING SEPT. 30/51	CHANGE OVER THE YEAR
	\$	\$	\$
Income	1,585,999.53	1,257,661.81	+ 328,337.72
Expenses	598,446.32	588,556.20	+ 9,890.12
Gross Profit	987,553.21	669,105.61	+ 318,447.60
Interest on Debentures (less discount)	79,162.48	3,089.04	+ 76,073.44
Net Profit (before appropriation for losses)	908,390.73	666,016.57	+ 242,374.16
Appropriated to Reserve for losses	102,040.37	2,683.04	+ 99,357.33
Balance (transferred to Reserve Fund)	806,350.36	663,333.53	+ 143,016.83

Income on loans, investments and guarantees for the year amounted to \$1,570,093 as against \$1,255,918 in the previous year. For the first time since the Bank was established no income was earned on Government of Canada securities, the remainder of our holdings having been liquidated in the course of operations in the previous fiscal year. The item "Interest on Debentures" which appeared for the first time amongst the Bank's expenses in 1951, amounted during the current fiscal year to \$79,162 on a net basis as against \$3,089 in 1951. All other expenses, of which details are shown in the attached statement, amounted to \$598,446 compared with \$588,556 in 1951. Profits before appropriations amounted to \$908,391, an increase of \$242,374 during the year under review. Total appropriations for the reserve for losses account amounted to \$102,040. Of this amount \$2,040 represents the net loss on write-offs during the year, accounted for by \$2,357 which was charged to reserve for losses in respect of losses occurring during the year and \$317 which was recovered on debts previously written off. The balance of the amount transferred, amounting to \$100,000, was put into reserve for losses account, which was increased to \$500,000. It was felt that this increase in the reserve, which was described in my Annual Reports for the years 1947 and 1948, was in line with the expansion in our business. The last transfer to reserve for losses was made in 1949.

I am, Dear Sir,

Yours faithfully,

G. F. TOWERS, President.

Statement of Profit and Loss

for the year ended 30th September 1952

Income:

On loans, investments and guarantees	\$1,570,092.98
Sundry	15,906.55
	<hr/> 1,585,999.53

Expenses:

Salaries	418,904.38	
Pension fund, unemployment insurance and group insurance	54,051.58	
Investigation and supervision ex- penses (including travel) . . .	17,292.22	
Travelling expenses—general . .	5,543.55	
Rental and other costs—leased premises	47,039.80	
Depreciation of office equipment .	6,547.13	
Telephones and telegrams . . .	13,989.74	
Office supplies and expenses . .	8,056.99	
Directors' fees	4,800.00	
Auditors' fees and expenses . .	6,000.00	
All other operating expenses . .	16,220.93	598,446.32
	<hr/>	<hr/>
Profit before undermentioned items		\$ 987,553.21

Deduct:

Interest on debentures	81,672.76	
Less net amortization of premium and discount on debentures sold .	2,510.28	
	<hr/> 79,162.48	
Amount appropriated to Reserve for Losses	102,040.37	181,202.85
	<hr/>	<hr/>
Balance transferred to Reserve Fund		\$ 806,350.36
		<hr/> <hr/>

RESERVE FOR LOSSES

Balance 30th September, 1951 . . .		\$ 400,000.00
Add:		
Recovery of debts previously written off	316.53	
Appropriation from profits for the year ended 30th September 1952 . . .	102,040.37	102,356.90
		<u>\$ 502,356.90</u>
Less bad debts written off		2,356.90
		<u>2,356.90</u>
Balance 30th September 1952 . . .		<u><u>\$ 500,000.00</u></u>

RESERVE FUND

Balance 30th September 1951 . . .	\$2,881,272.96
Amount transferred from statement of profit and loss	806,350.36
	<u>806,350.36</u>
Balance 30th September 1952 . . .	<u><u>\$3,687,623.32</u></u>

Statement of Assets and Liabilities

as at 30th September, 1952

LIABILITIES

Capital: Authorized, issued and paid up—	
250,000 shares par value \$100 each . . .	\$25,000,000.00
Reserve Fund	3,687,623.32
Bonds and debentures , outstanding . .	3,850,000.00
Contingent liability under guarantees and underwriting agreements	242,500.00
All other liabilities	819,536.56
Reserve for Losses	500,000.00
	<u>\$34,099,659.88</u>

ASSETS

Cash on hand and deposits with other banks	70,540.40
Loans and investments	33,387,075.71
Guarantees and underwriting agreements as per contra	242,500.00
Property held for sale	59,043.71
All other assets	340,500.06
	<u>\$34,099,659.88</u>

G. F. TOWERS, *President*

H. R. EXTENCE, *Chief Accountant*

AUDITORS' REPORT ● We have made an examination of the statement of assets and liabilities of the Industrial Development Bank as at 30th September 1952 and have received all the information and explanations we have required. We report that in our opinion it correctly sets forth the position of the Bank at 30th September 1952, according to the best of our information and as shown by the books of the Bank.

E. J. HOWSON, F.C.A.
of Thorne, Mulholland, Howson & Mc Pherson
Ottawa, Canada, 31st October 1952.

JEAN VALIQUETTE, C.A.
of Anderson & Valiquette

INDUSTRIAL DEVELOPMENT BANK

Incorporated under the Industrial Development Bank Act, 1944

HEAD OFFICE — OTTAWA, ONT.

GENERAL MANAGER'S OFFICE — MONTREAL, QUE.

Board of Directors

G. F. TOWERS, C.M.G., *President, Ottawa, Ont.*



E. G. BAKER, *Toronto, Ont.*

W. D. BLACK, *Member of the Executive Committee, Waterdown, Ont.*

W. C. CLARK, C.M.G., *Member of the Executive Committee, Ottawa, Ont.*

G. G. COOTE, *Nanton, Alta.*

J. E. COYNE, *Member of the Executive Committee, Ottawa, Ont.*

N. A. HESLER, *Sackville, N.B.*

W. A. JOHNSTON, Q.C., *Winnipeg, Man.*

A. STEWART McNICHOLS, *Montreal, Que.*

R. H. MILLIKEN, Q.C., *Regina, Sask.*

C. J. MORROW, *Lunenburg, N. S.*

A. C. PICARD, *Quebec, Que.*

A. PICKARD, *Charlottetown, P.E.I.*

H. A. RUSSELL, *St. John's, Nfld.*

L. P. SAINT-AMOUR, *Ottawa, Ont.*

A. C. TAYLOR, C.B.E., *Vancouver, B.C.*

Officers



G. F. TOWERS, C.M.G., *President*

S. R. NOBLE, O.B.E., *General Manager*

D. G. MARBLE, C.B.E., *Secretary*

A. N. H. JAMES, *Executive Assistant*

L. F. MUNDY, *Deputy Secretary*

H. R. EXTENCE, *Chief Accountant*

GENERAL MANAGER'S OFFICE

901 VICTORIA SQUARE, MONTREAL, QUE.

S. R. NOBLE, O.B.E., *General Manager*

A. N. H. JAMES, *Executive Assistant*

C. I. STUART, *Deputy Secretary*

L. VIAU, *Deputy Secretary*

SUPERVISORS

ATLANTIC PROVINCES

F. M. AYKROYD

901 VICTORIA SQ.,

MONTREAL, QUE.

ONTARIO

J. C. INGRAM

85 RICHMOND ST.,

TORONTO, ONT.

MANITOBA & SASKATCHEWAN

D. T. MUSKETT

195 PORTAGE AVE. EAST

WINNIPEG, MAN.

ALBERTA & BRITISH COLUMBIA

N. C. TOMPKINS

475 HOWE ST.,

VANCOUVER, B.C.

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Government
Publications



INDUSTRIAL DEVELOPMENT BANK



Annual Report to the Minister of Finance

AND STATEMENT OF ACCOUNTS

Fiscal year **1953**

1952/53

INDUSTRIAL DEVELOPMENT BANK



"Whereas it is desirable to establish an industrial development bank to promote the economic welfare of Canada by increasing the effectiveness of monetary action through ensuring the availability of credit to industrial enterprises which may reasonably be expected to prove successful if a high level of national income and employment is maintained, by supplementing the activities of other lenders and by providing capital assistance to industry with particular consideration to the financing problems of small enterprises . . . "

—Preamble of the Industrial Development Bank Act

INDUSTRIAL DEVELOPMENT BANK

Ottawa, December 9th, 1953

The Hon. D. C. Abbott, Q.C., M.P.
Minister of Finance,
Ottawa.

Dear Sir, In accordance with the provisions of the Industrial Development Bank Act, I am enclosing herewith, in duplicate, a statement of the Bank's accounts for the fiscal year ending September 30th, 1953, signed by the President and Chief Accountant and certified by the Auditors. As in previous years, I am including a classification of the Bank's loans, investments and guarantees, together with a review of the Bank's affairs and statistics relating to the operations of this past fiscal year.

Loans, Investments and Guarantees. During the fiscal year under review, both the number of new eligible applications for credit and applications from existing borrowers showed a marked increase over last year, while the number of applications culminating in authorized credits was greater than in any year since the Bank opened its doors for business. Details of the disposition of applications received by the Bank during the last three fiscal years are given in the table on the following page.

NEW APPLICATIONS	During 1951	During 1952	During 1953
Authorized	127	111	142
Refused	65	48	70
Withdrawn	55	37	50
	<u>247</u>	<u>196</u>	<u>262</u>

APPLICATIONS FROM EXISTING BORROWERS

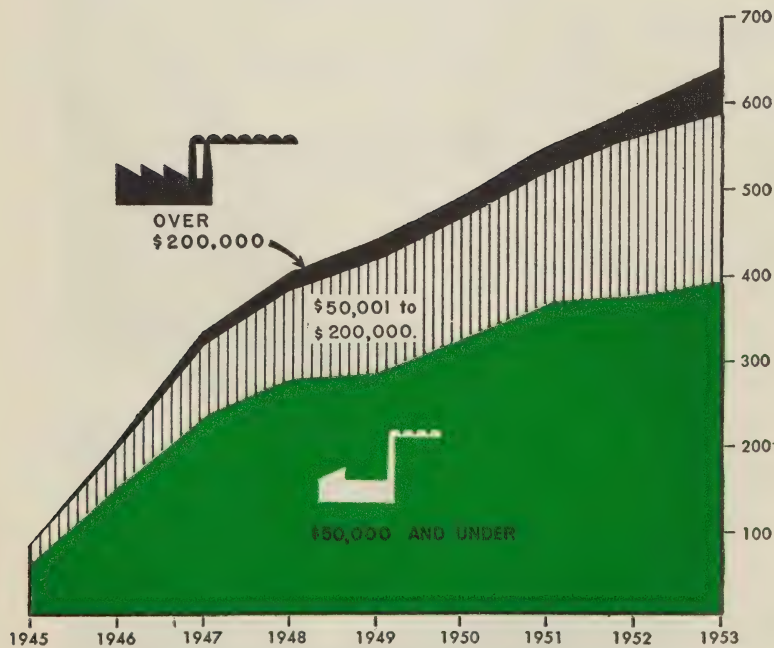
Authorized	72	49	75
Refused	8	3	1
Withdrawn	10	4	8
	<u>90</u>	<u>56</u>	<u>84</u>
 Total Applications Handled	 337	 252	 346
Total Applications Authorized	199	160	217

The increased number of applications during the past year was a reflection of both the continued high level of business activity in Canada and of the fact that in the greater part of the previous fiscal year the Bank's operations were affected by the need for credit restraint. In the past year, the share of business derived from industries associated with the national defence programme has been noticeably smaller than in the two previous years. At the same time, the sustained high level of consumer expenditure, which has been a notable feature of the economy during the year under review, has resulted in a continued demand for capital financing from many consumer goods industries. The past year was the first full year in which loans were authorized for commercial air services, under the authority of the amendment to the Industrial Development Bank Act referred to in my report for 1952. In all, gross authorizations during the past year in this category amounted to \$1,199,000 out of \$13,122,698 gross authorizations in all industrial categories.

During the fiscal year ending September 30th, 1953, total cash disbursements on loans and investments amounted to \$11,331,881, while repayments (including net write-offs of \$25,372) totalled \$5,793,416, raising the amount of loans and investments outstanding from \$33,387,075 at the end of the previous fiscal year to \$38,925,540 at September 30th, 1953. Of the funds required to make this net disbursement of \$5,538,465, the greater part was obtained by the sale of additional Industrial Development Bank debentures to the Bank of Canada. In all, the Bank sold \$5,100,000 worth of debentures during the fiscal year, raising the amount outstanding at September 30th, 1953, to \$8,950,000.

In line with the increase in the amount of loans and investments outstanding, the number of current authorizations stood at 633 at September 30th, 1953, compared with 583 a year ago.

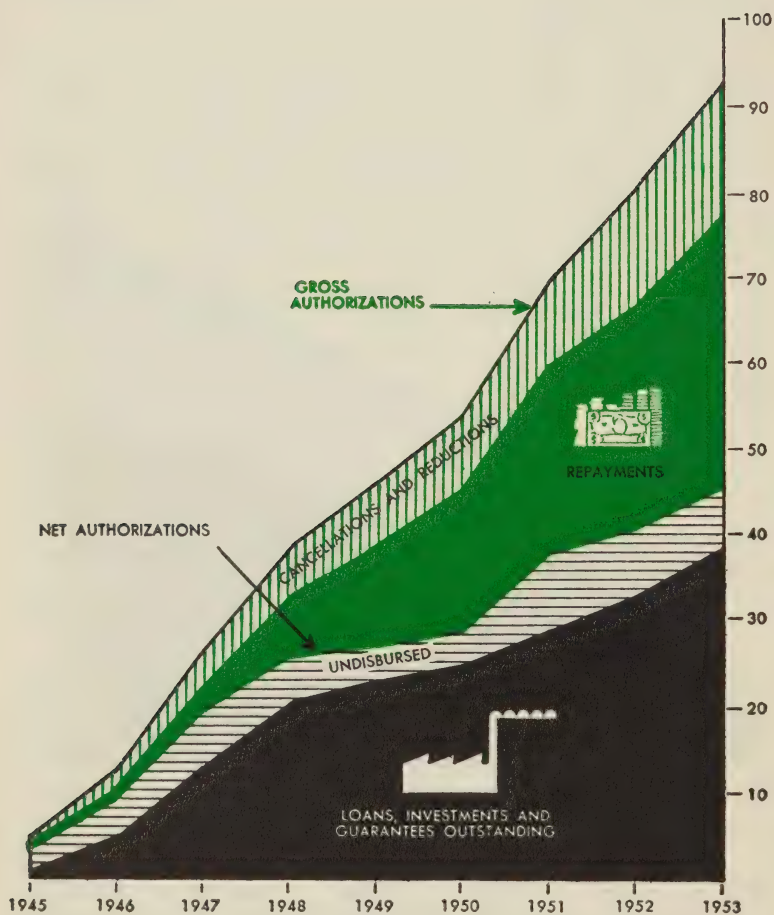
The tables which follow on pages 7, 8 and 10 are, first a summary of authorizations, disbursements and repayments during the fiscal year 1953 and during the entire period of the Bank's operations to date and, secondly, tables showing the classification of the Bank's loans, investments and guarantees by industrial enterprise, by province and by size.



Number of Current Authorizations
at September 30th, 1953

**Gross Authorizations, Repayments and Net Authorizations
Cumulative to September 30th, 1953**

Amounts in millions
of dollars



**SUMMARY OF AUTHORIZATIONS, DISBURSEMENTS AND
REPAYMENTS DURING FISCAL YEAR 1953 AND FOR THE
WHOLE PERIOD OF THE BANK'S OPERATIONS TO DATE**

	NUMBER	AMOUNT
Loans, investments & guarantees authorized:		
November 1, 1944 to September 30, 1952	1056	\$80,833,595
October 1, 1952 to September 30, 1953	142	13,122,698
Total	<u>1198</u>	<u>\$93,956,293</u>
LESS:		
Cancellations of authorizations and reductions in amounts authorized:		
November 1, 1944 to September 30, 1952	187	\$13,551,229
October 1, 1952 to September 30, 1953	25	1,855,956
Total	<u>212</u>	<u>\$15,407,185</u>
Authorizations which have lapsed by reason of full repayment or write-off:		
November 1, 1944 to September 30, 1952	286	\$17,677,772
October 1, 1952 to September 30, 1953	67	3,799,991
Total	<u>353</u>	<u>\$21,477,763</u>
Current authorizations as at September 30, 1953 ..	633	\$57,071,345
Reductions by reason of partial repayment or write-down:		
November 1, 1944 to September 30, 1952		\$ 8,861,893
October 1, 1952 to September 30, 1953		2,035,925
Total		<u>\$10,897,818</u>
Net authorizations as at September 30, 1953	633	\$46,173,527
 *Disbursements on loans and investments:		
November 1, 1944 to September 30, 1952		\$59,529,740
October 1, 1952 to September 30, 1953		11,331,881
Total		<u>\$70,861,621</u>
*Repayments and write-offs on loans and investments:		
November 1, 1944 to September 30, 1952		\$26,142,665
October 1, 1952 to September 30, 1953		5,793,416
Total		<u>\$31,936,081</u>
Outstanding as at September 30, 1953:		
Loans and investments		\$38,925,540
Guarantees		280,000
Total		<u>\$39,205,540</u>

*Exclusive of guarantees.

Classification of Loans, Investments and Guarantees

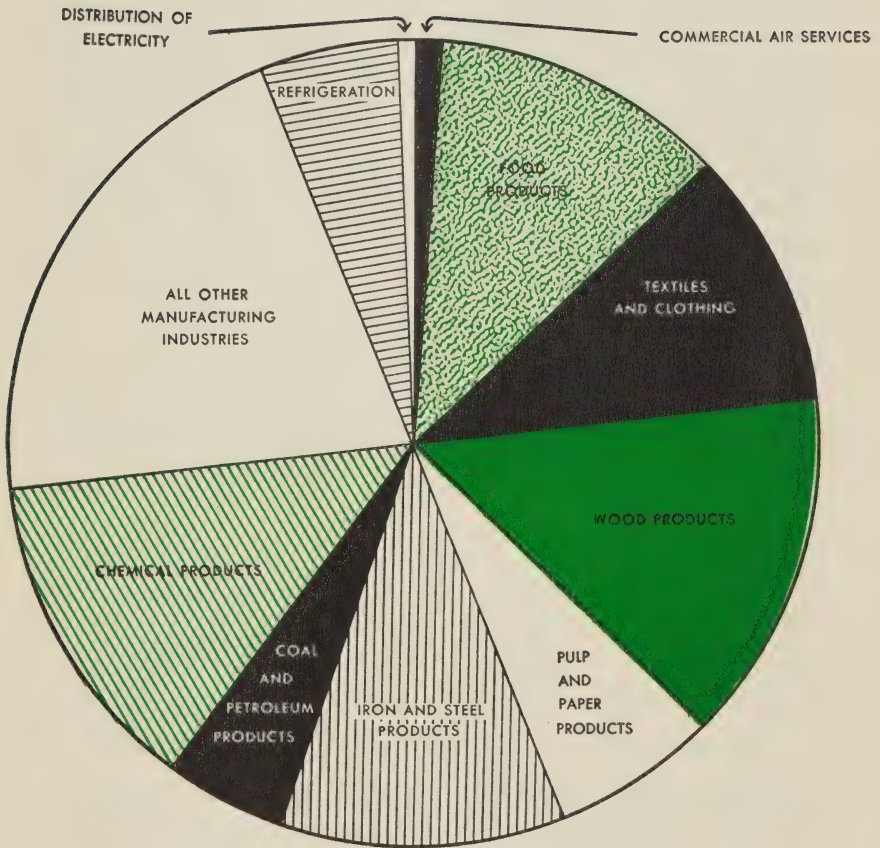
BY INDUSTRIAL ENTERPRISES

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1953*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1953	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1953	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1953
1. Foods and Beverages	\$ 9,382,533	\$ 907,176	\$ 5,719,352	\$ 3,582,475
2. Tobacco and Tobacco Products	—	—	—	—
3. Rubber Products	75,000	50,000	50,000	45,000
4. Leather Products	928,152	275,000	727,500	357,236
5. Textile Products (ex- cept Clothing)	5,902,322	851,212	3,843,871	2,960,559
6. Clothing (Textiles & Fur)	2,298,774	414,250	1,593,650	982,156
7. Wood Products	11,245,038	1,748,839	8,163,576	5,626,707
8. Paper Products (in- cluding Pulp)	5,408,935	174,560	4,191,400	3,883,406
9. Printing, Publishing & Allied Industries	1,719,489	214,000	891,500	436,291
10. Iron and Steel Pro- ducts (including Ma- chinery & Equipment)	8,684,942	1,274,358	5,743,592	3,531,672
11. Transportation equip- ment	3,464,785	532,500	2,832,855	1,774,110
12. Non-Ferrous Metal Products	598,060	127,825	469,500	305,149
13. Electrical Apparatus & Supplies	3,172,856	2,081,006	2,755,100	1,427,516
14. Non-Metallic Mineral Products	4,771,914	656,952	2,804,881	2,006,581
15. Products of Petroleum & Coal	3,728,599	175,000	2,890,000	2,141,881
16. Chemical Products	9,802,719	1,594,570	8,322,763	6,206,619
17. Miscellaneous Manu- facturing Industries	1,733,832	540,000	1,191,000	749,126
18. Refrigeration	4,282,158	241,450	3,626,805	2,599,389
19. Generating or Distrib- uting of Electricity	410,000	65,000	315,000	80,000
20. Commercial Air Services	939,000	1,199,000	939,000	509,667
	<u>\$78,549,108</u>	<u>\$13,122,698</u>	<u>\$57,071,345</u>	<u>\$39,205,540</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

The above industrial classification follows the lines of the accepted international standard of clas-
sification.

Industrial Composition of Authorizations*
Cumulative to September 30th, 1953



*Gross authorizations less cancellations and reductions in amounts authorized.

BY PROVINCES

	AUTHORIZA- TIONS TO SEPTEMBER 30, 1953*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1953	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30, 1953	AMOUNT OUTSTAND- ING AT SEPTEMBER 30, 1953
Newfoundland	\$ —	\$ —	\$ —	\$ —
Prince Edward Island	112,000	—	66,000	51,145
Nova Scotia	1,187,494	198,079	519,762	385,103
New Brunswick	2,425,639	175,000	1,275,721	1,014,972
Quebec	31,649,897	4,659,617	24,595,354	17,664,710
Ontario	20,426,408	3,280,531	13,351,367	8,949,982
Manitoba	2,859,084	777,300	2,076,750	1,142,195
Saskatchewan	3,894,473	45,375	3,549,000	2,578,576
Alberta	5,371,659	2,112,775	3,246,200	1,030,870
British Columbia & Territories	10,622,454	1,874,021	8,391,191	6,387,987
	<u>\$78,549,108</u>	<u>\$13,122,698</u>	<u>\$57,071,345</u>	<u>\$39,205,540</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

BY SIZE

	CURRENT AUTHORIZATIONS AT SEPTEMBER 30, 1953*	NUMBER OF CREDITS
\$ 5,000 and under	\$ 54,192	14
5,001 to 25,000	3,735,929	242
25,001 to 50,000	5,552,302	140
50,001 to 100,000	9,187,917	122
100,001 to 200,000	10,436,605	70
Over \$200,000	28,104,400	45
	<u>\$57,071,345</u>	<u>633</u>

*Because of partial repayments on account of current authorizations the net authorizations were \$46,173,527 of which those in excess of \$200,000 totalled \$23,733,219.

Staff

In the past year several appointments were made affecting the Bank's senior officers. Mr. S. R. Noble, who had served the Bank in the capacity of General Manager since the Bank commenced operations in November, 1944, was appointed Vice-President. Mr. D. G. Marble, formerly Secretary of the Bank of Canada and the Industrial Development Bank, was appointed General Manager. Mr. A. N. H. James, formerly Executive Assistant, was appointed Assistant General Manager. Mr. L. F. Mundy, who was formerly Deputy Secretary and who succeeded Mr. Marble as Secretary of the Bank of Canada, was also appointed Secretary of the Industrial Development Bank.

During the year there was a decline in the number of the staff from 93 at October 1st, 1952, to 92 at September 30th, 1953. I would like to take this opportunity of thanking all members of the staff for their high standard of service to the Bank throughout the year.

Statement of Profit and Loss

A summary of the profit and loss statements for the year ending September 30th, 1953 and for the previous fiscal year is provided below:

	YEAR ENDING SEPT. 30/53	YEAR ENDING SEPT. 30/52	CHANGE OVER THE YEAR
	\$	\$	\$
Income	1,865,315	1,585,999	+ 279,316
Operating Expenses	592,598	598,446	— 5,848
Gross Profit	1,272,717	987,553	+ 285,164
Interest on Debentures (net)	200,702	79,162	+ 121,540
Net Profit (before appropriation for losses)	1,072,015	908,391	+ 163,624
Appropriated to Reserve for Losses	225,372	102,040	+ 123,332
Balance (Transferred to Reserve Fund)	846,643	806,350*	+ 40,293*

*Difference due to rounding of amounts to even dollars.

Income on loans, investments and guarantees for the year amounted to \$1,849,362 compared with \$1,570,093 in 1952. Despite the larger volume of business, which these figures reflect, the Bank's operating expenses showed a small reduction of \$5,848 over the previous year, amounting in all to \$592,598. The increase in net profit, before appropriations, however, was reduced by a substantial rise in interest payments on the Bank's debentures, which on a net basis amounted to \$200,702 in 1953 compared to

\$79,162 in the previous year. This increase reflects both the additional issues of debentures which were necessary during the past year to provide funds for the Bank's increased volume of business and the higher level of interest rates which prevailed in the year ending September 30th, 1953. Thus, net profits before appropriations amounted to \$1,072,015, an increase of \$163,624 over the previous year. Total appropriations for the reserve for losses account amounted to \$225,372. Of this amount, \$25,372 represents the net loss on write-offs during the year. The balance of the amount transferred, that is \$200,000, was placed into reserve for losses account, increasing this account to \$700,000. This increase in the reserve, which was augmented by \$100,000 in the previous fiscal year, was considered to be warranted by the continued expansion in the Bank's business.

I am, Dear Sir,
Yours faithfully,
G. F. TOWERS, President.

STATEMENT OF PROFIT AND LOSS 

Statement of Profit and Loss

for the year ended 30th September 1953

Income:

On loans, investments and guarantees	\$1,849,361.99
Sundry	<u>15,953.06</u>
	1,865,315.05

Expenses:

Salaries	416,847.81	
Pension fund, unemployment insurance and group insurance	53,571.11	
Investigation and supervision expenses (including travel)	14,271.25	
Travelling expenses — general	3,740.86	
Rental and other costs — leased premises	47,880.98	
Depreciation of office equipment	7,127.97	
Telephones and telegrams	13,935.10	
Office supplies and expenses	8,316.89	
Directors' fees	3,950.00	
Auditors' fees and expenses	6,000.00	
All other operating expenses	<u>16,956.47</u>	<u>592,598.44</u>
Profit before undermentioned items		\$1,272,716.61

Deduct:

Interest on debentures	180,916.05	
Net amortization of discount and premium on debentures sold	<u>19,785.60</u>	
	200,701.65	
Amount appropriated to Reserve for Losses	<u>225,372.04</u>	<u>426,073.69</u>
Balance transferred to Reserve Fund		\$ <u>846,642.92</u>

RESERVE FOR LOSSES

Balance 30th September, 1952		\$500,000.00
Add:		
Recovery of debts previously written off	2,545.73	
Appropriation from profits for the year ended 30th September, 1953	<u>225,372.04</u>	<u>227,917.77</u>
		727,917.77
Less bad debts written off		27,917.77
Balance 30th September, 1953		<u><u>\$700,000.00</u></u>

RESERVE FUND

Balance 30th September, 1952	\$3,687,623.32
Amount transferred from statement of profit and loss	<u>846,642.92</u>
Balance 30th September, 1953	<u><u>\$4,534,266.24</u></u>

Statement of Assets and Liabilities

as at 30th September 1953

LIABILITIES

Capital: Authorized, issued and paid up — 250,000 shares par value \$100 each	\$25,000,000.00
Reserve Fund	4,534,266.24
Bonds and debentures outstanding	8,950,000.00
Contingent liability under guarantees and underwriting agreements	280,000.00
All other liabilities	310,850.33
Reserve for Losses	700,000.00
	<u>\$39,775,116.57</u>

ASSETS

Cash on hand and deposits with other banks	\$ 109,616.43
Loans and investments	38,925,540.11
Guarantees and underwriting agreements; as per contra	280,000.00
Property held for sale	57,353.83
All other assets	402,606.20
	<u>\$39,775,116.57</u>

G. F. TOWERS, President

H. R. EXTENCE, Chief Accountant

AUDITORS' REPORT • We have made an examination of the statement of assets and liabilities of the Industrial Development Bank as at September 30, 1953 and have received all the information and explanations we have required. We report that in our opinion it correctly sets forth the position of the Bank at September 30, 1953, according to the best of our information and as shown by the books of the Bank.

J. GRANT GLASSCO, O.B.E., F.C.A.,
of Clarkson, Gordon & Co.

MAURICE SAMSON, O.B.E., C.A.,
of Chartré, Samson, Beauvais, Bélair & Cie.

Ottawa, Canada, October 31, 1953

INDUSTRIAL DEVELOPMENT BANK

Incorporated under the Industrial Development Bank Act, 1944

HEAD OFFICE — OTTAWA, ONT.

GENERAL MANAGER'S OFFICE — MONTREAL, QUE.

Board of Directors

G. F. TOWERS, C.M.G., President, Ottawa, Ont.



W. D. BLACK, Member of the Executive Committee, Waterdown, Ont.

E. G. BURTON, C.B.E., Toronto, Ont.

G. G. COOTE, Nanton, Alta.

J. E. COYNE, Member of the Executive Committee, Ottawa, Ont.

N. A. HESLER, Sackville, N.B.

W. A. JOHNSTON, Q.C., Winnipeg, Man.

A. STEWART McNICHOLS, Montreal, Que.

R. H. MILLIKEN, Q.C., Regina, Sask.

C. J. MORROW, Lunenburg, N.S.

A. C. PICARD, Quebec, Que.

H. A. RUSSELL, St. John's, Nfld.

L. P. SAINT-AMOUR, Ottawa, Ont.

HAROLD B. SCHURMAN, Summerside, P.E.I.

A. C. TAYLOR, C.B.E., Vancouver, B.C.

K. W. TAYLOR, C.B.E., Member of the Executive Committee, Ottawa, Ont.

Officers



G. F. TOWERS, C.M.G., President

S. R. NOBLE, O.B.E., Vice President

D. G. MARBLE, C.B.E., General Manager

A. N. H. JAMES, Assistant General Manager

L. F. MUNDY, Secretary

P. D. SMITH, Deputy Secretary

C. I. STUART, Deputy Secretary

L. VIAU, Deputy Secretary

H. R. EXTENCE, Chief Accountant

GENERAL MANAGER'S OFFICE

901 Victoria Square, Montreal, Que.

SUPERVISORS

ATLANTIC PROVINCES

F. M. AYKROYD

901 Victoria Sq.,

Montreal, Que.

ONTARIO

J. C. INGRAM

85 Richmond St. W.,

Toronto, Ont.

MANITOBA & SASKATCHEWAN

D. T. MUSKETT

195 Portage Ave. E.,

Winnipeg, Man.

ALBERTA & BRITISH COLUMBIA

N. C. TOMPKINS

475 Howe St.,

Vancouver, B.C.



SUMMARY OF OPERATIONS 1944-1953

Summary of Operations 1944-1953

Fiscal Year Ending September 30th

OPERATIONS	1945	1946	1947	1948	1949	1950	1951	1952	1953	Cumulative Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
New loans, investments & guarantees authorized (gross).....	4,150,050	7,901,353	14,684,406	12,291,815	7,313,586	7,842,930	15,705,865	10,943,590	13,122,698	93,956,293
Less Cancellations & reductions in amounts authorized.....	952,000	1,182,500	2,273,925	1,277,925	1,397,301	1,168,800	1,491,879	3,806,899	1,855,956	15,407,185
Increase in loans, investments & guarantees authorized.....	3,198,050	6,718,853	12,410,481	11,013,890	5,916,285	6,674,130	14,213,986	7,136,691	11,266,742	78,549,108
Less Repayments and write-offs.....	18,449	501,580	2,049,118	4,266,405	4,900,097	4,823,547	5,245,695	4,734,574	5,835,916	32,375,581
Increase in net authorizations (commitment).....	3,179,401	6,217,273	10,361,363	6,747,485	1,016,188	1,850,583	8,968,291	2,402,117	5,430,826	46,173,527
of which: ⁽¹⁾										
Increase in loans & investments outstanding.....	871,753	4,250,950	6,407,293	6,005,923	2,779,707	1,623,595	7,258,512	4,189,342	5,538,465	38,925,540
Increase in guarantees outstanding.....	—	—	1,800,000	1,280,255	179,745	145,500	—3,178,000	15,000	37,500	280,000
PROFIT AND LOSS										
Income on loans, investments & guarantees.....	10,556	138,172	401,045	747,153	975,573	1,101,222	1,255,918	1,570,093	1,849,362	8,049,094
Interest on Govt. of Canada securities.....	297,953	289,151	210,265	293,597	184,169	148,873	46,654	—	—	1,470,662
Profit on sales of Govt. of Canada securities.....	—	—	186,491	—148,849	—67,150	—69,848	—60,184	—	—	—159,540
All other income.....	—	—	392	1,417	33,667	8,451	15,274	15,906	15,953	91,060
Total Income.....	308,509	427,323	798,193	893,318	1,126,259	1,188,698	1,257,662	1,585,999	1,865,315	9,451,276
Less Operating expenses.....	110,466	185,605	288,513	398,656	476,645	530,906	588,556	598,446	592,598	3,770,591
Interest on I.D.B. debentures ⁽²⁾	—	—	—	—	—	—	3,089	79,162	200,702	282,953
Net Profit.....	197,843	241,718	509,680	494,662	649,614	657,792	666,017	908,391	1,072,015	5,397,732
of which:										
Appropriated to reserve for losses.....	—	—	200,000	134,340	133,428	65,603	2,683	102,040	225,372	863,466
Provisions for other contingencies ⁽³⁾	100,000	—100,000	—	325,951	—216,411	—109,540	—	—	—	—
Transferred to reserve fund.....	97,843	341,718	309,680	34,371	732,597	701,730	663,334	806,350	846,643	4,534,266
WRITE-OFFS										
Bad debts written off (net) ⁽⁴⁾	—	—	—	34,340	33,428	65,603	2,683	2,040	25,372	163,466
YEAR-END BALANCE SHEET (condensed)										
Loans, investments & guarantees.....	871,753	5,122,702	13,329,995	20,616,443	23,575,626	25,344,721	29,425,233	33,629,576	39,205,540	*
Govt. of Canada securities.....	8,947,750	10,151,331	14,130,299	8,224,414	6,230,094	5,104,378	—	—	—	*
All other assets.....	286,928	186,129	296,696	330,432	417,951	611,800	436,393	470,084	569,577	*
Total Assets.....	10,106,431	15,460,162	27,756,990	29,171,289	30,223,671	31,060,899	29,861,626	34,099,660	39,775,117	*
Capital, issued and paid up.....	10,000,000	15,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	*
Reserve fund.....	97,843	439,561	749,241	783,612	1,516,209	2,217,939	2,881,273	3,687,623	4,534,266	*
Bonds and debentures outstanding.....	—	—	—	—	—	—	1,250,000	3,850,000	8,950,000	*
Contingent liability under guarantees.....	—	—	1,800,000	3,080,525	3,260,000	3,405,500	227,500	242,500	280,000	*
All other liabilities.....	8,588	20,601	7,749	7,152	47,462	37,460	102,853	819,537	310,851	*
Reserve for losses.....	—	—	200,000	300,000	400,000	400,000	400,000	500,000	700,000	*
Total Liabilities.....	10,106,431	15,460,162	27,756,990	29,171,289	30,223,671	31,060,899	29,861,626	34,099,660	39,775,117	*

⁽¹⁾ The difference between the total increase in loans, investments & guarantees outstanding and the increase in net authorizations is accounted for by changes in the undisbursed portion of amounts authorized.

⁽²⁾ After amortization of premium or discount on sale of debentures.

⁽³⁾ For details see I.D.B. Annual Reports for the years in question.

⁽⁴⁾ Bad debts written off, less recovery on bad debts written off previously. The net write-off is debited to the reserve for losses account.

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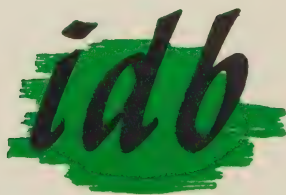
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Government
Publications



INDUSTRIAL DEVELOPMENT BANK



Annual Report to the Minister of Finance

AND STATEMENT OF ACCOUNTS

Fiscal year **1954**

1954/54

INDUSTRIAL DEVELOPMENT BANK



"Whereas it is desirable to establish an industrial development bank to promote the economic welfare of Canada by increasing the effectiveness of monetary action through ensuring the availability of credit to industrial enterprises which may reasonably be expected to prove successful if a high level of national income and employment is maintained, by supplementing the activities of other lenders and by providing capital assistance to industry with particular consideration to the financing problems of small enterprises . . . "

—Preamble of the Industrial Development Bank Act

INDUSTRIAL DEVELOPMENT BANK

Ottawa, November 30th, 1954

The Hon. Walter E. Harris,
Minister of Finance,
Ottawa.

Dear Sir, In accordance with the provisions of the Industrial Development Bank Act, I am enclosing herewith, in duplicate, a statement of the Bank's accounts for the fiscal year ending September 30th, 1954, signed by the President and Chief Accountant and certified by the Auditors. As in previous years, I am including a classification of the Bank's loans, investments and guarantees, together with a review of the Bank's affairs and statistics relating to the operations of this past fiscal year.

Loans, Investments and Guarantees. Details of the disposition of applications received by the Bank during the last three fiscal years are given in the table on the following page.

NEW APPLICATIONS	During 1952	During 1953	During 1954
Authorized	111	142	125
Refused	48	70	49
Withdrawn	37	50	53
	<u>196</u>	<u>262</u>	<u>227</u>

APPLICATIONS FROM EXISTING BORROWERS

Authorized	49	75	50
Refused	3	1	2
Withdrawn	4	8	11
	<u>56</u>	<u>84</u>	<u>63</u>

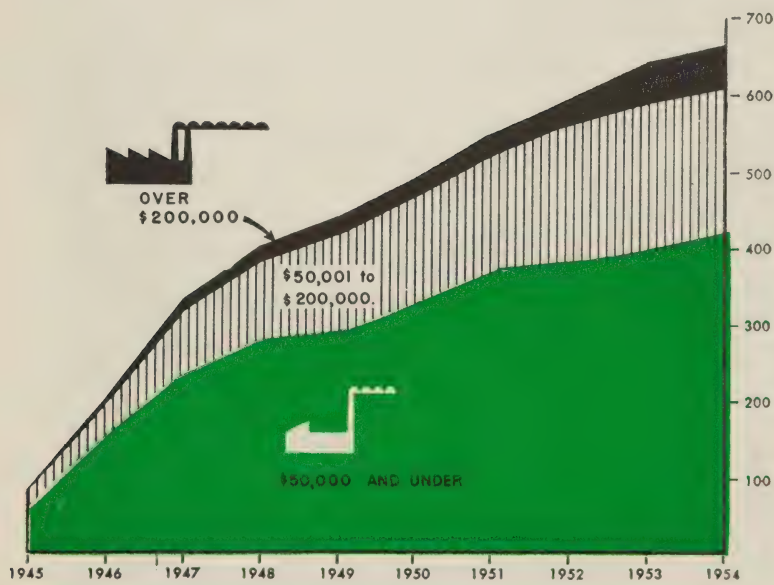
Total Applications Handled	252	346	290
Total Applications Authorized	160	217	175

Both the number of applications handled and the number authorized by the Bank during the past year were somewhat lower than the high level of the previous year. This moderate decline, however, would not appear to be out of line with the estimated trends in investment in plant and equipment by manufacturing industries generally during 1954, a year in which a number of industries have encountered marketing difficulties despite the continued high level of business activity in many sectors of the economy.

During the fiscal year ending September 30th, 1954, total cash disbursements on loans and investments amounted to \$11,505,808 as compared with \$11,331,881 in the fiscal year 1953, while repayments and net write-offs (\$154,310) totalled \$8,292,331. The amount of loans and investments outstanding rose from \$38,925,540 at September 30th, 1953, to \$42,139,017 at September 30th, 1954. Of the funds required to make this net disbursement of \$3,213,477 a portion was obtained by the sale of additional Industrial Development Bank debentures to Bank of Canada and the balance from earnings during the year. On a net basis, the Bank sold \$1,750,000 worth of debentures during the fiscal year, raising the amount outstanding at September 30th, 1954, to \$10,700,000.

The number of current authorizations stood at 661 at September, 1954, compared with 633 a year ago.

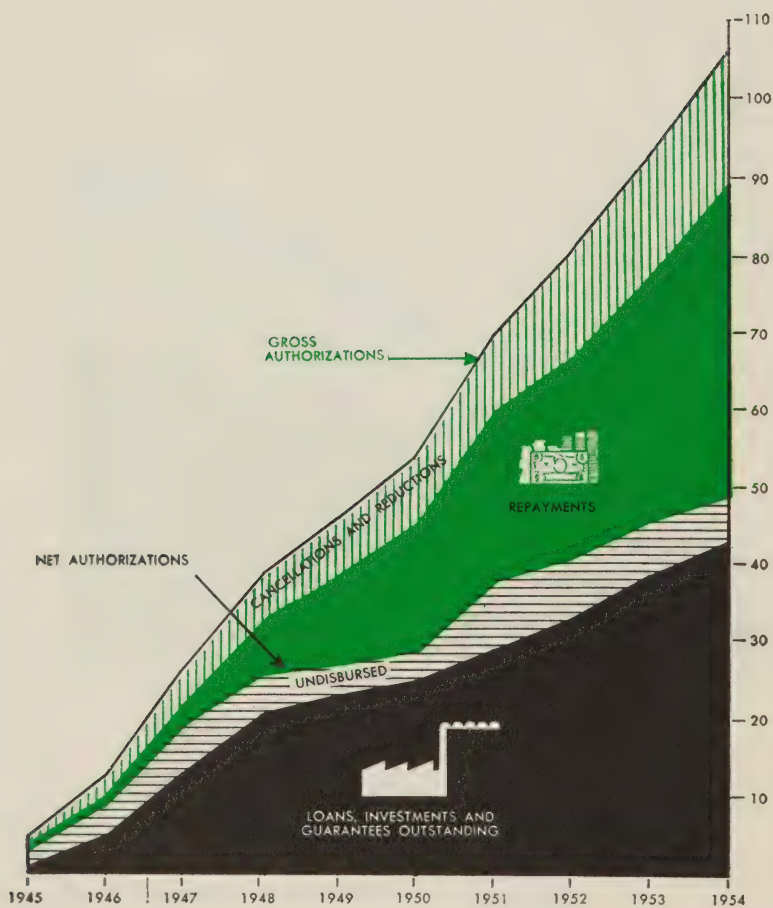
The tables which follow on pages 7, 8 and 10 are first, a summary of authorizations, disbursements and repayments during the fiscal year 1954 and during the entire period of the Bank's operations to date and, secondly, tables showing the classification of the Bank's loans, investments and guarantees by industrial enterprise, by province and by size.



Number of Current Authorizations
at September 30th, 1954

Gross Authorizations, Repayments and Net Authorizations
Cumulative to September 30th, 1954.

Amounts in millions
of dollars



**SUMMARY OF AUTHORIZATIONS, DISBURSEMENTS AND
REPAYMENTS DURING FISCAL YEAR 1954 AND FOR THE
WHOLE PERIOD OF THE BANK'S OPERATIONS TO DATE**

Loans, Investments and Guarantees authorized:	NUMBER	AMOUNT
November 1, 1944, to September 30, 1953	1198	\$93,956,293
October 1, 1953, to September 30, 1954	125	12,962,341
Total	1323	\$106,918,634
LESS:		
Cancellations of authorizations and reductions in amounts authorized:		
November 1, 1944, to September 30, 1953	212	\$15,407,185
October 1, 1953, to September 30, 1954	17	2,442,660
Total	229	\$17,849,845
Authorizations which have lapsed by reason of full repayment or write-off:		
November 1, 1944, to September 30, 1953	353	\$21,477,763
October 1, 1953, to September 30, 1954	80	7,501,849
Total	433	\$28,979,612
Current authorizations as at September 30, 1954 ..	661	\$60,089,177
Reductions by reason of partial repayment:.....		
November 1, 1944, to September 30, 1953		\$10,897,818
October 1, 1953, to September 30, 1954		930,482
Total		\$11,828,300
Net authorizations as at September 30, 1954	661	\$48,260,877
*Disbursements on loans and investments:.....		
November 1, 1944, to September 30, 1953		\$70,861,621
October 1, 1953, to September 30, 1954		11,505,808
Total		\$82,367,429
*Repayments and write-offs on loans and invest- ments:		
November 1, 1944, to September 30, 1953 ..		\$31,936,081
October 1, 1953, to September 30, 1954		8,292,331
Total		\$40,228,412
Outstanding as at September 30, 1954:		
Loans and investments.....		\$42,139,017
Guarantees		134,615
Total		\$42,273,632

*Exclusive of guarantees.

Classification of Loans, Investments and Guarantees

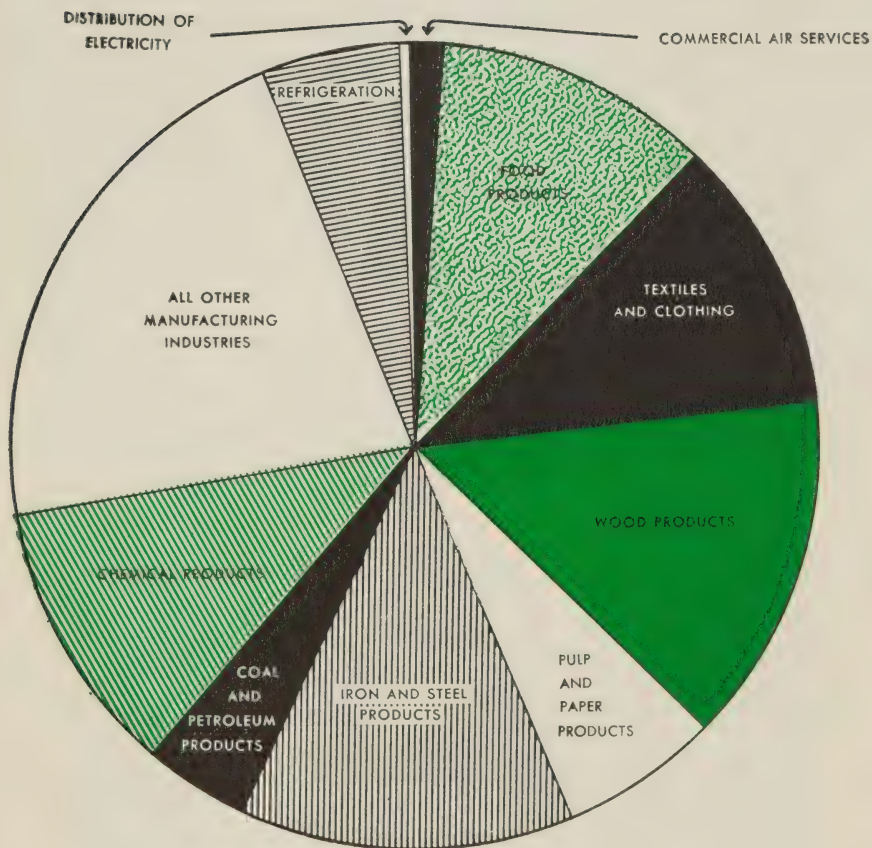
BY INDUSTRIAL ENTERPRISES

	AUTHORIZA- TIONS TO SEPTEMBER 30TH, 1954*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1954	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30TH, 1954	AMOUNT OUTSTAND- ING AT SEPTEMBER 30TH, 1954
1. Foods and Beverages	\$9,861,059	\$ 922,149	\$5,292,415	\$3,256,674
2. Tobacco and Tobacco Products	—	—	—	—
3. Rubber Products	125,000	50,000	100,000	95,600
4. Leather Products	928,487	100,405	259,930	148,480
5. Textile Products (ex- cept Clothing)	6,586,987	695,184	4,080,667	2,746,399
6. Clothing (Textiles & Fur)	2,998,979	930,240	1,818,215	1,239,483
7. Wood Products	12,642,160	1,697,001	8,122,804	5,400,240
8. Paper Products (in- cluding Pulp)	5,585,935	207,000	4,403,400	3,891,625
9. Printing, Publishing & Allied Industries	2,321,989	712,500	1,287,500	820,473
10. Iron and Steel Pro- ducts (including Ma- chinery & Equipment)	11,969,833	3,517,944	8,371,298	4,705,515
11. Transportation equip- ment	3,484,785	20,000	2,485,750	1,558,804
12. Non-Ferrous Metal Products	1,190,755	661,000	1,000,695	585,547
13. Electrical Apparatus & Supplies	3,333,795	402,500	2,916,039	2,264,849
14. Non-Metallic Mineral Products	6,030,650	1,308,811	3,783,453	2,713,997
15. Products of Petroleum & Coal	3,737,260	16,000	2,856,000	2,825,548
16. Chemical Products	9,920,719	241,000	6,783,000	5,974,545
17. Miscellaneous Manu- facturing Industries	1,862,932	173,600	1,293,000	813,687
18. Refrigeration	4,987,464	936,007	4,058,011	2,505,866
19. Generating or Distrib- uting of Electricity	310,000	100,000	215,000	65,000
20. Commercial Air Services	1,190,000	271,000	962,000	661,300
	<u>\$89,068,789</u>	<u>\$12,962,341</u>	<u>\$60,089,177</u>	<u>\$42,273,632</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

The above industrial classification follows the lines of the accepted international standard of clas-
sification.

Industrial Composition of Authorizations*
Cumulative to September 30th, 1954



*Gross authorizations less cancellations and reductions in amounts authorized.

BY PROVINCES

	AUTHORIZA- TIONS TO SEPTEMBER 30TH, 1954*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1954	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30TH, 1954	AMOUNT OUTSTAND- ING AT SEPTEMBER 30TH, 1954
Newfoundland	\$ 145,000	\$ 145,000	\$ 145,000	\$ 136,000
Prince Edward Island	112,000	—	66,000	42,525
Nova Scotia	1,187,630	—	426,412	275,645
New Brunswick	2,407,139	30,000	1,064,921	641,891
Quebec	34,045,630	3,485,400	23,149,830	17,081,665
Ontario	24,701,620	5,339,762	16,328,222	11,479,200
Manitoba	3,190,718	377,975	2,207,409	1,225,634
Saskatchewan	3,907,434	20,500	3,722,800	3,413,082
Alberta	6,446,960	1,156,500	3,839,200	2,807,625
British Columbia	12,718,658	2,261,204	8,933,383	5,115,865
Yukon and North- west Territories ..	206,000	146,000	206,000	54,500
	<u>\$89,068,789</u>	<u>\$12,962,341</u>	<u>\$60,089,177</u>	<u>\$42,273,632</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

BY SIZE

	CURRENT AUTHORIZATIONS AT SEPTEMBER 30TH, 1954*	NUMBER OF CREDITS
\$ 5,000 and under	\$ 40,855	9
5,001 to 25,000	4,038,504	249
25,001 to 50,000	6,071,206	154
50,001 to 100,000	9,417,153	126
100,001 to 200,000	10,666,250	71
Over \$200,000	<u>29,855,209</u>	<u>52</u>
	<u>\$60,089,177</u>	<u>661</u>

*Because of partial repayments on account of current authorizations the net authorizations were \$48,260,877 of which those in excess of \$200,000 totalled \$24,602,038.

Staff At September 30th, 1954, Mr. S. R. Noble retired from the Bank's service. Mr. Noble had served the Bank in the capacity of General Manager from the commencement of operations in November 1944 until September 14th, 1953, when he was appointed Vice-President. In my first annual report I expressed the view that the Bank could be counted most fortunate in having secured the services of a banker with such outstanding qualifications for the work which lay ahead of us. The successful launching of the Bank and its performance to date have served only to strengthen that view and to deepen our appreciation of the contribution made by Mr. Noble.

During the year there was an increase in the number of the staff from 92 at September 30th, 1953, to 96 at September 30th, 1954.

It is with pleasure that once again I record my appreciation of the high quality of the service rendered by the staff during the past year.

Statement of Profit and Loss A summary of the profit and loss statements for the year ending September 30th, 1954, and for the previous fiscal year is provided below:

	YEAR ENDING SEPT. 30/54	YEAR ENDING SEPT. 30/53	CHANGE OVER THE YEAR
	\$	\$	\$
Revenue.....	2,935,320	1,865,315	+ 1,070,005
Operating Expenses.....	733,879	592,598	+ 141,281
Gross Profit.....	2,201,441	1,272,717	+ 928,724
Interest and amortization on Debentures (net).....	358,870	200,702	+ 158,168
Profit (before undermentioned items).....	1,842,571	1,072,015	+ 770,556
Less: Appropriated to Reserve for Losses.....	154,310	225,372	— 71,062
Balance (Transferred to Reserve Fund).....	1,688,261	846,643	+ 841,618

Income on loans, investments and guarantees for the year amounted to \$2,086,684 compared with \$1,849,362 in 1953, while other ordinary revenue from the Bank's operations increased to \$43,703 compared with \$15,953 in the previous year.

The figure shown above as revenue for the year includes a special item of \$804,933 being a profit on the sale of investments. Because of the unusual nature of this special income, and because this is the first time it has occurred, it seems appropriate to comment on the source from which it arose.

In a relatively small number of cases the Bank has taken minority equity positions in companies financed by the Bank. These have been cases in which the Bank's loan was fairly substantial both in absolute amount and in relation to the capital invested by the proprietors, and in which heavy dependence was placed on the success of the business rather than on the realizable value of the security. Such loans involve more than ordinary risks for the lender and in the event that the business should be successful we have felt that the Bank should also benefit from a share in the equity. During the past year the majority shareholders of several such companies whose affairs had prospered arranged to sell out to other interests, and the Bank took advantage of this opportunity to sell its shares also. The proceeds of such sales over and above the book value at which the shares were carried by the Bank constitute the special income mentioned above.

Profit on the year's operations before appropriations and excluding this special income item, showed a small reduction of \$34,377 over the previous year owing to increases in operating expenses and in interest payments on the Bank's debentures. Together these two items rose \$299,449 over the previous year, compared with an increase of \$265,072 in ordinary revenues. An increase in the amount of debentures outstanding during the past fiscal year required to finance the growth in business is reflected in the higher cost of interest and amortization charges which rose by \$158,168.

After inclusion of the profit on the sale of investments of \$804,933, however, the net profits before appropriations amounted to \$1,842,571 for the year ending September 30th, 1954, compared with \$1,072,015 in the previous fiscal year. Appropriations for the reserve for losses account amounted to \$154,310, which represents the net loss on write-offs during the year. The balance of \$1,688,261 was transferred to Reserve Fund raising it to \$6,222,527.

I am, Dear Sir,
Yours faithfully,
G. F. TOWERS, President.

STATEMENT OF PROFIT AND LOSS 

Summary of Operations 1944-1954

Fiscal Year Ending September 30th

	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	Cumulative Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
OPERATIONS											
New loans, investments & guarantees authorized (gross)...	4,150,050	7,901,353	14,684,406	12,291,815	7,313,586	7,842,930	15,705,865	10,943,590	13,122,698	12,962,341	106,918,634
Less Cancellations & reductions in amounts authorized.....	952,000	1,182,500	2,273,925	1,277,925	1,397,301	1,168,800	1,491,879	3,806,899	1,855,956	2,442,660	17,849,845
Increase in loans, investments & guarantees authorized.....	3,198,050	6,718,853	12,410,481	11,013,890	5,916,285	6,674,130	14,213,986	7,136,691	11,266,742	10,519,681	89,068,789
Less Repayments and write-offs.....	18,649	501,580	2,049,118	4,266,405	4,900,097	4,823,547	5,245,695	4,734,574	5,835,916	8,432,331	40,807,912
Increase in net authorizations (commitment).....	3,179,401	6,217,273	10,361,363	6,747,485	1,016,188	1,850,583	8,968,291	2,402,117	5,430,826	2,087,350	48,260,877
of which: ⁽¹⁾											
Increase in loans & investments outstanding.....	871,753	4,250,950	6,407,293	6,005,923	2,779,707	1,623,595	7,258,512	4,189,342	5,538,465	3,213,477	42,139,017
Increase in guarantees outstanding.....	—	—	1,800,000	1,280,255	179,745	145,500	—3,178,000	15,000	37,500	—145,385	134,615
PROFIT AND LOSS											
Income on loans, investments & guarantees.....	10,556	138,172	401,045	747,153	975,573	1,101,222	1,255,918	1,570,093	1,849,362	2,086,684	10,135,778
Interest on Govt. of Canada securities.....	297,953	289,151	210,265	293,597	184,169	148,873	46,654	—	—	—	1,470,662
Profit on sales of Govt. of Canada securities.....	—	—	186,491	—148,849	—67,150	—69,848	—60,184	—	—	—	—159,540
Profit on sales of other securities.....	—	—	—	—	—	—	—	—	—	804,933	804,933
All other income.....	—	—	392	1,417	33,667	8,451	15,274	15,906	15,953	43,703	134,763
Total Income.....	308,509	427,323	798,193	893,318	1,126,259	1,188,698	1,257,662	1,585,999	1,865,315	2,935,320	12,386,596
Less Operating expenses.....	110,666	185,605	288,513	398,656	476,645	530,906	588,556	598,446	592,598	733,879	4,504,470
Interest on I.D.B. debentures ⁽²⁾	—	—	—	—	—	—	3,089	79,162	200,702	358,870	641,823
Net Profit.....	197,843	241,718	509,680	494,662	649,614	657,792	666,017	908,391	1,072,015	1,842,571	7,240,303
of which:											
Appropriated to reserve for losses.....	—	—	200,000	134,340	133,428	65,603	2,683	102,040	225,372	154,310	1,017,776
Provisions for other contingencies ⁽³⁾	100,000	—100,000	—	325,951	—216,411	—109,540	—	—	—	—	—
Transferred to reserve fund.....	97,843	341,718	309,680	34,371	732,597	701,730	663,334	806,350	846,643	1,688,261	6,222,527
WRITE-OFFS											
Bad debts written off (net) ⁽⁴⁾	—	—	—	34,340	33,428	65,603	2,683	2,040	25,372	154,310	317,776
YEAR-END BALANCE SHEET (condensed)											
Loans, investments & guarantees.....	871,753	5,122,702	13,329,995	20,616,443	23,575,626	25,344,721	29,425,233	33,629,576	39,205,540	42,273,632	*
Govt. of Canada securities.....	8,947,750	10,151,331	14,130,299	8,224,414	6,230,094	5,104,378	—	—	—	—	*
All other assets.....	286,928	186,129	296,696	330,432	417,951	611,800	436,393	470,084	569,577	810,938	*
Total Assets.....	10,106,431	15,460,162	27,756,990	29,171,289	30,223,671	31,060,899	29,861,626	34,099,660	39,775,117	43,084,570	*
Capital, issued and paid up.....	10,000,000	15,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	*
Reserve fund.....	97,843	439,561	749,241	783,612	1,516,209	2,217,939	2,881,273	3,687,623	4,534,266	6,222,527	*
Bonds and debentures outstanding.....	—	—	—	—	—	—	1,250,000	3,850,000	8,950,000	10,700,000	*
Contingent liability under guarantees.....	—	—	1,800,000	3,080,525	3,260,000	3,405,500	227,500	242,500	280,000	134,615	*
All other liabilities.....	8,588	20,601	7,749	7,152	47,462	37,460	102,853	819,537	310,851	327,428	*
Reserve for losses.....	—	—	200,000	300,000	400,000	400,000	400,000	500,000	700,000	700,000	*
Total Liabilities.....	10,106,431	15,460,162	27,756,990	29,171,289	30,223,671	31,060,899	29,861,626	34,099,660	39,775,117	43,084,570	*

(1) The difference between the total increase in loans, investments & guarantees outstanding and the increase in net authorizations is accounted for by changes in the undisbursed portion of amounts authorized.

(2) After amortization of premium or discount on sale of debentures.

(3) For details see I.D.B. Annual Reports for the years in question.

(4) Bad debts written off, less recovery on bad debts written off previously. The net write-off is debited to the reserve for losses account.

Statement of Profit and Loss

for the year ended September 30th, 1954

Income:

On loans, investments and guarantees	\$2,086,684	
Profits on sale of securities	804,933	
Sundry	<u>43,703</u>	\$2,935,320

Expenses:

Salaries	501,537	
Pension fund, unemployment insurance and group insurance	75,861	
Investigation and supervision expenses (including travel)	15,293	
Travelling expenses — general	17,174	
Rental and other costs — leased premises	48,861	
Depreciation on equipment	8,556	
Telephones and telegrams	13,835	
Office supplies and expenses	15,379	
Directors' fees	5,950	
Auditors' fees and expenses	9,000	
All other operating expenses	<u>22,433</u>	<u>733,879</u>
		\$2,201,441

Deduct:

Interest on debentures	284,754	
Net amortization of discount and premium on debentures sold	<u>74,116</u>	<u>358,870</u>
Profit before appropriation		\$1,842,571
Appropriation to reserve for losses		<u>154,310</u>
Balance transferred to Reserve Fund		<u><u>\$1,688,261</u></u>

RESERVE FOR LOSSES

Balance, September 30, 1953		\$ 700,000
Add:		
Recovery of debts previously written off	200	
Appropriation from profit for the year ended September 30, 1954	<u>154,310</u>	<u>154,510</u>
		\$ 854,510
Less:		
Bad debts written off		<u>154,510</u>
Balance, September 30, 1954		<u><u>\$ 700,000</u></u>

RESERVE FUND

Balance, September 30, 1953	\$4,534,266
Amount transferred from statement of profit and loss	<u>1,688,261</u>
Balance, September 30, 1954	<u><u>\$6,222,527</u></u>

Statement of Assets and Liabilities

as at September 30th, 1954

ASSETS

Cash on hand and deposits with other banks	\$ 225,689
Loans and investments	42,139,017
Property held for sale	177,282
Guarantees and underwriting agreements; as per contra	134,615
Other Assets	407,967
	<u>\$43,084,570</u>

LIABILITIES

Capital: Authorized, issued and paid up — 250,000 shares par value \$100 each	\$25,000,000
Reserve Fund	6,222,527
Reserve for Losses	700,000
Bonds and debentures outstanding	10,700,000
Liability under guarantees and underwriting agreements	134,615
Other Liabilities	327,428
	<u>\$43,084,570</u>

G. F. TOWERS, President

H. R. EXTENCE, Chief Accountant

AUDITORS' REPORT • We have made an examination of the statement of assets and liabilities of the Industrial Development Bank as at September 30, 1954, and have received all the information and explanations we have required. We report that in our opinion it correctly sets forth the position of the Bank at September 30, 1954, according to the best of our information and as shown by the books of the Bank.

J. GRANT GLASSCO, O.B.E., F.C.A.,
of Clarkson, Gordon & Co.
Ottawa, October 27th, 1954.

MAURICE SAMSON, O.B.E., C.A.,
of Chartré, Samson, Beauvais, Bélair & Cie.

INDUSTRIAL DEVELOPMENT BANK

Incorporated under the Industrial Development Bank Act, 1944

HEAD OFFICE — OTTAWA, ONT.

GENERAL MANAGER'S OFFICE — MONTREAL, QUE.

Board of Directors

G. F. TOWERS, C.M.G., President, Ottawa, Ont.



W. D. BLACK, Member of the Executive Committee, Waterdown, Ont.

E. G. BURTON, C.B.E., Toronto, Ont.

J. L. CAVANAGH, New Glasgow, N.S.

G. G. COOTE, Nanton, Alta.

J. E. COYNE, Member of the Executive Committee, Ottawa, Ont.

N. A. HESLER, Sackville, N.B.

W. A. JOHNSTON, Q.C., Winnipeg, Man.

A. STEWART McNICHOLS, Montreal, Que.

R. H. MILLIKEN, Q.C., Regina, Sask.

A. C. PICARD, Quebec, Que.

H. A. RUSSELL, St. John's, Nfld.

HAROLD B. SCHURMAN, Summerside, P.E.I. A. C. TAYLOR, C.B.E., Vancouver, B.C.

K. W. TAYLOR, C.B.E., Member of the Executive Committee, Ottawa, Ont.

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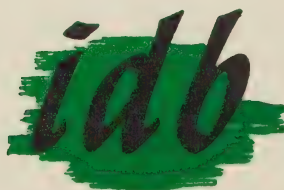
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Government
Publications



INDUSTRIAL DEVELOPMENT BANK



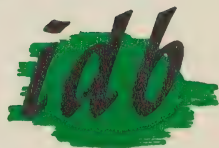
Annual Report to the Minister of Finance

AND STATEMENT OF ACCOUNTS

Fiscal year **1955**

(1954/55)

INDUSTRIAL DEVELOPMENT BANK



"Whereas it is desirable to establish an industrial development bank to promote the economic welfare of Canada by increasing the effectiveness of monetary action through ensuring the availability of credit to industrial enterprises which may reasonably be expected to prove successful if a high level of national income and employment is maintained, by supplementing the activities of other lenders and by providing capital assistance to industry with particular consideration to the financing problems of small enterprises . . . "

—Preamble of the Industrial Development Bank Act

INDUSTRIAL DEVELOPMENT BANK

Ottawa, December 2nd, 1955

The Hon. Walter E. Harris,
Minister of Finance,
Ottawa.

Dear Sir, In accordance with the provisions of the Industrial Development Bank Act, I am enclosing herewith, in duplicate, a statement of the Bank's accounts for the fiscal year ending September 30th, 1955, signed by the President and Chief Accountant and certified by the Auditors. As in previous years, I am including a classification of the Bank's loans, investments and guarantees, together with a review of the Bank's affairs and statistics relating to the operations of this past fiscal year.

Loans, Investments and Guarantees. Details of the disposition of applications received by the Bank during the last three fiscal years are given in the table on the following page.

NEW APPLICATIONS	During 1953	During 1954	During 1955
Authorized	142	125	145
Refused	70	49	56
Withdrawn	<u>50</u>	<u>53</u>	<u>58</u>
	<u>262</u>	<u>227</u>	<u>259</u>

APPLICATIONS FROM EXISTING BORROWERS

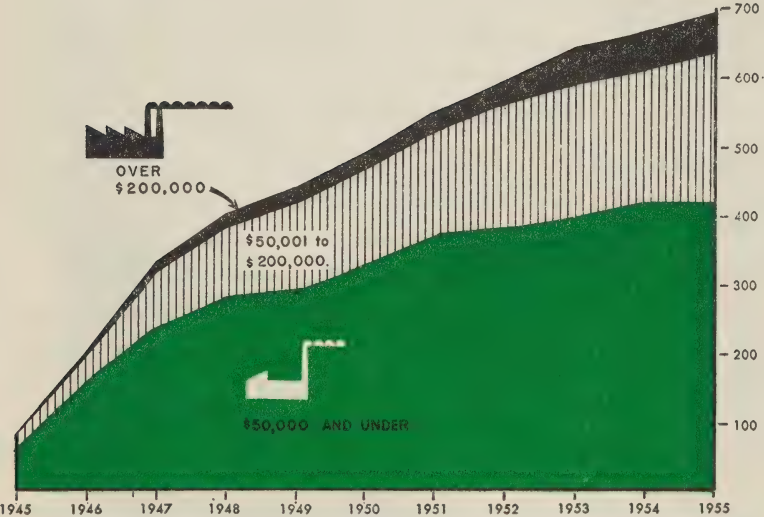
Authorized	75	50	69
Refused	1	2	8
Withdrawn	<u>8</u>	<u>11</u>	<u>9</u>
	<u>84</u>	<u>63</u>	<u>86</u>
Total Applications Handled	346	290	345
Total Applications Authorized	217	175	214

The amount of loans and investments outstanding rose from \$42,139,017 at September 30th, 1954, to \$44,049,835 at September 30th, 1955. During the fiscal year ended September 30th, 1955, disbursements on loans and investments amounted to \$12,718,377 as compared with \$11,505,808 in the fiscal year 1954, while repayments and net write-offs (\$37,325) totalled \$10,807,559. Debentures outstanding at September 30th, 1955, were \$9,500,000 as compared with \$10,700,000 at the end of the previous fiscal year. Other Liabilities are shown at \$1,922,981, an increase of \$1,595,553 over the comparable figure at the end of 1954. This was occasioned largely by an increase in amounts held temporarily in suspense pending requisition by borrowers as their projects develop.

The number of current authorizations stood at 694 at September 30th, 1955, compared with 661 a year ago.

The tables which follow on pages 7, 8 and 10 are first a summary of authorizations, disbursements and repayments during the fiscal year 1955 and during the entire period of the Bank's operations to

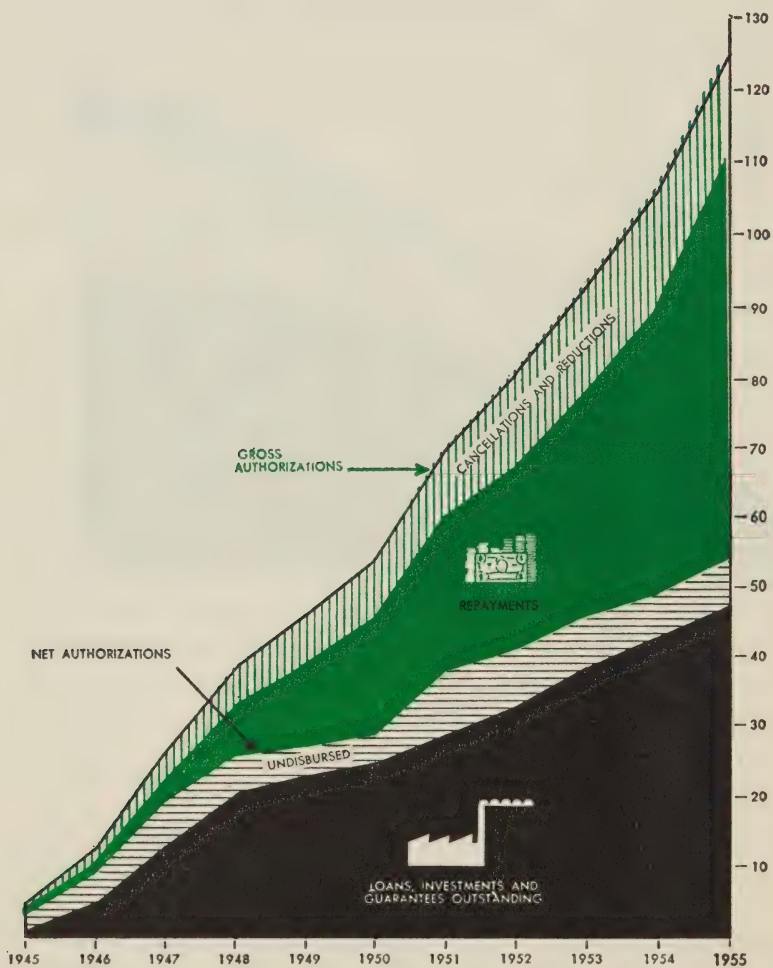
date and, secondly, tables showing the classification of the Bank's loans, investments and guarantees by industrial enterprise, by Province, and by size.



Number of Current Authorizations
at September 30th, 1955

**Gross Authorizations, Repayments and Net Authorizations
Cumulative to September 30th, 1955.**

Amounts in millions
of dollars



**SUMMARY OF AUTHORIZATIONS, DISBURSEMENTS AND
REPAYMENTS DURING FISCAL YEAR 1955 AND FOR THE
WHOLE PERIOD OF THE BANK'S OPERATIONS TO DATE**

Loans, Investments and Guarantees authorized:	NUMBER	AMOUNT
November 1, 1944, to September 30, 1954	1323	\$106,918,634
October 1, 1954, to September 30, 1955	145	16,805,969
Total	1468	<u>\$123,724,603</u>
LESS:		
Cancellations of authorizations and reductions in amounts authorized:		
November 1, 1944, to September 30, 1954	229	\$17,849,845
October 1, 1954, to September 30, 1955	19	1,695,888
Total	248	<u>\$19,545,733</u>
Authorizations which have lapsed by reason of full repayment or write-off:		
November 1, 1944, to September 30, 1954	433	\$28,979,612
October 1, 1954, to September 30, 1955	93	7,924,124
Total	526	<u>\$36,903,736</u>
Current authorizations as at September 30, 1955 ..	694	\$67,275,134
Reductions by reason of partial repayment:		
November 1, 1944, to September 30, 1954		\$11,828,300
October 1, 1954, to September 30, 1955		2,883,435
Total		<u>\$14,711,735</u>
Net authorizations as at September 30, 1955	694	\$52,563,399
*Disbursements on loans and investments:		
November 1, 1944, to September 30, 1954		\$82,367,429
October 1, 1954, to September 30, 1955		12,718,377
Total		<u>\$95,085,806</u>
*Repayments and write-offs on loans and invest- ments:		
November 1, 1944, to September 30, 1954		\$40,228,412
October 1, 1954, to September 30, 1955		10,807,559
Total		<u>\$51,035,971</u>
Outstanding as at September 30, 1955:		
Loans and investments		\$44,049,835
Guarantees		1,320,894
Total		<u>\$45,370,729</u>

*Exclusive of guarantees.

Classification of Loans, Investments and Guarantees

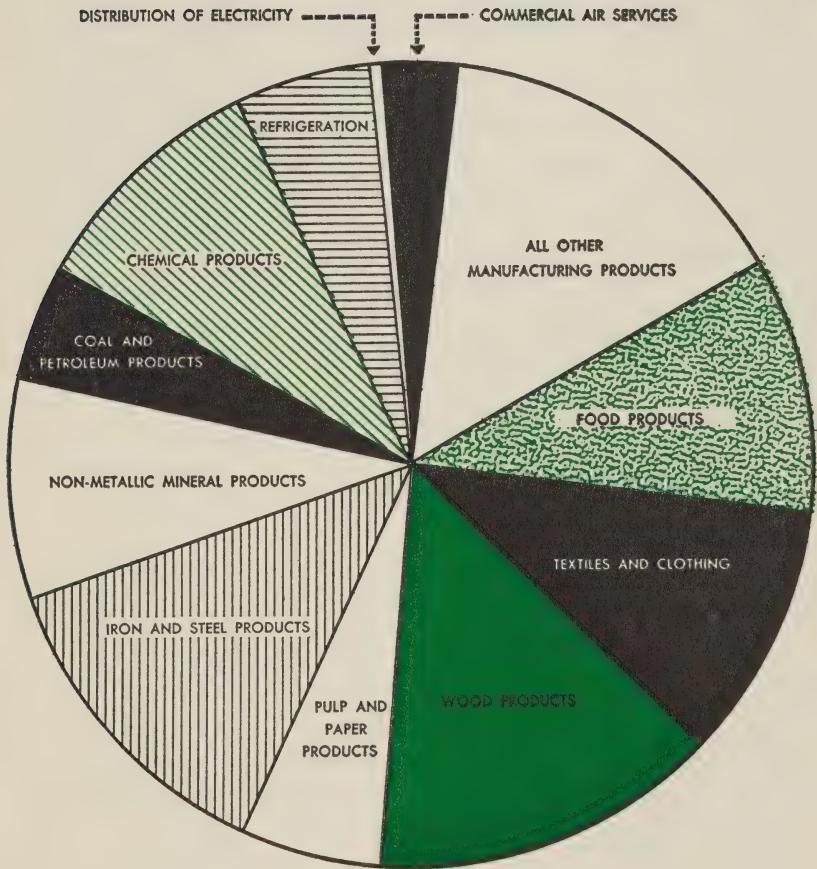
BY INDUSTRIAL ENTERPRISES

	AUTHORIZA- TIONS TO SEPTEMBER 30TH, 1955*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1955	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30TH, 1955	AMOUNT OUTSTAND- ING AT SEPTEMBER 30TH, 1955
1. Foods and Beverages	\$10,689,212	\$1,176,203	\$5,834,187	\$3,069,993
2. Tobacco and Tobacco Products	—	—	—	—
3. Rubber Products	210,000	85,000	185,000	112,600
4. Leather Products	953,487	25,000	284,930	138,630
5. Textile Products (ex- cept Clothing)	7,518,225	971,238	4,596,772	2,861,223
6. Clothing (Textiles & Fur)	3,438,378	439,605	2,270,669	1,146,435
7. Wood Products	14,551,558	2,130,398	9,200,639	6,096,156
8. Paper Products (in- cluding Pulp)	5,793,935	228,000	4,265,000	3,787,650
9. Printing, Publishing & Allied Industries	2,649,689	397,700	1,401,500	1,029,642
10. Iron and Steel Pro- ducts (including Ma- chinery & Equipment)	13,368,362	1,688,529	8,681,635	5,831,547
11. Transportation equip- ment	3,982,285	517,500	2,592,000	1,280,823
12. Non-Ferrous Metal Products	1,343,502	556,747	1,107,000	762,573
13. Electrical Apparatus & Supplies	3,701,719	377,924	3,265,263	2,429,446
14. Non-Metallic Mineral Products	9,281,986	3,451,336	6,287,372	4,592,430
15. Products of Petroleum & Coal	4,600,604	893,344	956,000	230,932
16. Chemical Products	10,232,039	311,320	6,895,000	5,547,531
17. Miscellaneous Manu- facturing Industries	2,502,432	679,500	1,877,000	876,938
18. Refrigeration	5,696,307	711,475	4,526,017	3,229,647
19. Generating or Distrib- uting of Electricity ...	310,000	—	135,000	33,250
20. Commercial Air Services	3,355,150	2,165,150	2,914,150	2,313,283
	<u>\$104,178,870</u>	<u>\$16,805,969</u>	<u>\$67,275,134</u>	<u>\$45,370,729</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

The above industrial classification follows the lines of the accepted international standard of classification.

Industrial Composition of Authorizations*
Cumulative to September 30th, 1955



*Gross authorizations less cancellations and reductions in amounts authorized.

BY PROVINCES

	AUTHORIZA- TIONS TO SEPTEMBER 30TH, 1955*	GROSS AUTHORIZA- TIONS DURING FISCAL YEAR 1955	CURRENT AUTHORIZA- TIONS AT SEPTEMBER 30TH, 1955	AMOUNT OUTSTAND- ING AT SEPTEMBER 30TH, 1955
Newfoundland	\$ 145,000	\$ —	\$ 145,000	\$ 106,000
Prince Edward Island	112,000	—	51,000	32,262
Nova Scotia	1,442,420	254,790	567,899	210,694
New Brunswick	2,606,367	207,228	1,149,575	652,833
Quebec	38,586,012	5,054,588	26,408,327	16,957,957
Ontario	29,371,530	5,519,910	19,641,971	14,705,096
Manitoba	3,909,030	789,747	2,492,065	1,480,289
Saskatchewan	4,059,237	153,000	829,603	365,347
Alberta	6,870,960	444,000	4,043,200	2,820,617
British Columbia ..	16,790,314	4,302,706	11,685,494	7,992,834
Yukon and North- west Territories	286,000	80,000	261,000	46,800
	<u>\$104,178,870</u>	<u>\$16,805,969</u>	<u>\$67,275,134</u>	<u>\$45,370,729</u>

*Gross authorizations less cancellations and reductions of amounts authorized.

BY SIZE

	CURRENT AUTHORIZATIONS AT SEPTEMBER 30TH, 1955*	NUMBER OF CREDITS
\$ 5,000 and under	\$ 46,820	11
5,001 to 25,000	3,835,922	229
25,001 to 50,000	6,635,923	170
50,001 to 100,000	10,411,103	137
100,001 to 200,000	12,718,000	85
Over \$200,000	<u>33,627,366</u>	<u>62</u>
	<u>\$67,275,134</u>	<u>694</u>

*Because of partial repayments on account of current authorizations the net authorizations were \$52,563,399 of which those in excess of \$200,000 totalled \$26,144,910.

Staff To assist with the increasing administrative responsibilities of the management, a new post, Supervisor, General Manager's Office, was created on April 1st, 1955, to which Mr. W. C. Stuart was appointed.

During the year there was an increase in the number of staff from 96 at September 30th, 1954, to 100 as at September 30th, 1955.

I would like to record my appreciation of the loyal service and co-operation rendered by the staff during the year.

Statement of Profit and Loss A summary of the profit and loss statements for the year ending September 30th, 1955, and for the previous fiscal year is provided below:

	YEAR ENDING SEPT. 30/55	YEAR ENDING SEPT. 30/54	CHANGE OVER THE YEAR
	\$	\$	
Revenue	2,229,071	2,130,387	+ 98,684
Operating Expenses.....	<u>723,667</u>	<u>733,879</u>	- 10,212
Gross Profit.....	1,505,404	1,396,508	+ 108,896
Interest and amortization on			
Debentures (net).....	<u>306,347</u>	<u>358,870</u>	- 52,523
Profit (before undermentioned items).....	1,199,057	1,037,638	+ 161,419
Profit on sale of investments	—	804,933	- 804,933
Appropriated to Reserve for Losses.....	<u>37,325</u>	<u>154,310</u>	- 116,985
Balance (Transferred to Reserve Fund)	<u>1,161,732</u>	<u>1,688,261</u>	- 526,529

Income on loans, investments and guarantees for the year amounted to \$2,193,848 as compared with \$2,086,684 in 1954, while all other ordinary revenue from the Bank's operations amounted to \$35,223 as compared with \$43,703 in the previous fiscal year. Operating expenses show a small reduction of \$10,212 and the

lower amount of debentures outstanding resulted in a saving of \$52,523. Profit on the year's operations, before appropriations but excluding the special income item resulting from the sale of investments during 1954, showed an increase of \$161,419. Total appropriation for reserve for losses amounted to \$39,170 and during the year \$1,845 was recovered on debts written off. In accordance with the Industrial Development Bank Act the balance of \$1,161,732 was transferred to Reserve Fund raising it to \$7,384,259.

I am, Dear Sir,
Yours faithfully,
J. E. COYNE, President.

Statement of Assets and Liabilities

as at September 30th, 1955

ASSETS

CASH ON HAND AND DEPOSITS		
WITH OTHER BANKS		\$ 32,166
LOANS AND INVESTMENTS	\$44,049,835	
Accrued Interest	311,745	44,361,580
PROPERTY HELD FOR SALE (including		
agreements for sale)		203,060
GUARANTEES AND UNDER-		
WRITING AGREEMENTS		
as per contra		1,320,894
OTHER ASSETS		39,184
		<u>\$45,956,884</u>

LIABILITIES

CAPITAL: Authorized, issued and paid up		
250,000 shares par value \$100 each		\$25,000,000
RESERVE FUND		7,384,259
RESERVE FOR LOSSES		700,000
BONDS AND DEBENTURES		
OUTSTANDING	\$ 9,500,000	
Accrued interest	128,750	9,628,750
LIABILITIES UNDER GUARANTEES		
AND UNDERWRITING AGREE-		
MENTS		1,320,894
OTHER LIABILITIES		1,922,981
		<u>\$45,956,884</u>

J. E. COYNE, President

E. FRICKER, Chief Accountant

AUDITORS' REPORT

We have made an examination of the statement of assets and liabilities of the Industrial Development Bank as at September 30, 1955, and have received all the information and explanations we have required. We report that in our opinion it correctly sets forth the position of the Bank at September 30, 1955, according to the best of our information and as shown by the books of the Bank.

J. GRANT GLASSCO, O.B.E., F.C.A.,
of Clarkson, Gordon & Co.
Ottawa, November 2, 1955

JEAN VALIQUETTE, C.A.
of Anderson & Valiquette

Statement of Profit and Loss

for the year ended September 30th, 1955

Income:

On loans, investments and guarantees	\$2,193,848	
Sundry	<u>35,223</u>	\$2,229,071

Expenses:

Salaries	\$ 497,129	
Pension fund, unemployment insurance and group insurance	66,652	
Investigation and supervision expenses (including travel)	16,062	
Travelling expenses — general	14,796	
Rental and other costs — leased premises	50,546	
Depreciation on equipment	7,423	
Telephones and telegrams	14,209	
Office supplies and expenses	10,515	
Directors' fees	5,350	
Auditors' fees and expenses	9,000	
All other operating expenses	<u>31,985</u>	<u>723,667</u>
		\$1,505,404

Deduct:

Interest on debentures	\$ 254,266	
Net amortization of discount and premium on debentures sold	<u>52,081</u>	<u>306,347</u>
Profit before appropriation		\$1,199,057
Appropriation to reserve for losses		<u>37,325</u>
Balance transferred to reserve fund		<u><u>\$1,161,732</u></u>

RESERVE FOR LOSSES

Balance, September 30, 1954		\$ 700,000
Add:		
Recovery of debts previously written off	\$ 1,845	
Appropriation from profit for the year ended September 30, 1955	37,325	39,170
		<u>\$ 739,170</u>
Less:		
Bad debts written off		39,170
Balance, September 30, 1955		<u><u>\$ 700,000</u></u>

RESERVE FUND

Balance, September 30, 1954	\$6,222,527
Amount transferred from statement of profit and loss	1,161,732
Balance, September 30, 1955	<u><u>\$7,384,259</u></u>

Summary of Operations 1954-1955

and cumulative total since November 1st, 1944

Fiscal Year Ending September 30th

	1954	1955	Cumulative Total since Nov. 1, 1944
	\$	\$	\$
OPERATIONS			
New loans, investments & guarantees authorized (gross).....	12,962,341	16,805,969	123,724,603
Less Cancellations & reductions in amounts authorized..	2,442,660	1,695,888	19,545,733
Increase in loans, investments & guarantees authorized.....	10,519,681	15,110,081	104,178,870
Less Repayments and write-offs.....	8,432,331	10,807,559	51,615,471
Increase in net authorizations (commitment).....	2,087,350	4,302,522	52,563,399
of which: ⁽¹⁾			
Increase in loans & investments outstanding.....	3,213,477	1,910,818	44,049,835
Increase in guarantees outstanding.....	— 145,385	1,186,279	1,320,894
PROFIT AND LOSS			
Income on loans, investments & guarantees.....	2,086,684	2,193,848	12,329,626
Interest on Govt. of Canada securities.....	—	—	1,470,662
Profit on sales of Govt. of Canada securities.....	—	—	— 159,540
Profit on sales of other securities.....	804,933	—	804,933
All other income.....	43,703	35,223	169,986
Total Income.....	2,935,320	2,229,071	14,615,667
Less Operating expenses.....	733,879	723,667	5,228,137
Interest on I.D.B. debentures ⁽²⁾	358,870	306,347	948,170
Net Profit.....	1,842,571	1,199,057	8,439,360
of which:			
Appropriated to reserve for losses.....	154,310	37,325	1,055,101
Transferred to reserve fund.....	1,688,261	1,161,732	7,384,259
WRITE-OFFS			
Bad debts written off (net) ⁽³⁾	154,310	37,325	355,101

Year-end Balance Sheet (condensed)

	1954	1955
	\$	\$
Loans, investments & guarantees.....	42,273,632	45,370,729
Govt. of Canada securities.....	—	—
All other assets.....	810,938	586,155
Total Assets.....	43,084,570	45,956,884
Capital, issued and paid up.....	25,000,000	25,000,000
Reserve fund.....	6,222,527	7,384,259
Bonds and debentures outstanding.....	10,700,000	9,500,000
Contingent liability under guarantees.....	134,615	1,320,894
All other liabilities.....	327,428	2,051,731
Reserve for losses.....	700,000	700,000
Total Liabilities.....	43,084,570	45,956,884

(1) The difference between the total increase in loans, investments & guarantees outstanding and the increase in net authorizations is accounted for by changes in the undisbursed portion of amounts authorized.

(2) After amortization of premium or discount on sale of debentures.

(3) Bad debts written off, less recovery on bad debts written off previously. The net write-off is debited to the reserve for losses account.

INDUSTRIAL DEVELOPMENT BANK

Incorporated under the Industrial Development Bank Act, 1944

HEAD OFFICE — OTTAWA, ONT.

GENERAL MANAGER'S OFFICE — MONTREAL, QUE.

Board of Directors

J. E. COYNE, President, Ottawa, Ont.



J. R. BEATTIE, Member of the Executive Committee, Ottawa, Ont.

W. D. BLACK, Member of the Executive Committee, Waterdown, Ont.

E. G. BURTON, C.B.E., Toronto, Ont.

J. L. CAVANAGH, New Glasgow, N.S.

DR. A. M. DAY, Consort, Alta.

N. A. HESLER, Sackville, N.B.

A. STEWART McNICHOLS, Montreal, Que.

W. A. JOHNSTON, Q.C., Winnipeg, Man.

R. H. MILLIKEN, Q.C., Regina, Sask.

A. C. PICARD, Quebec, Que.

H. A. RUSSELL, St. John's Nfld.

HAROLD B. SCHURMAN, Summerside, P.E.I.

A. C. TAYLOR, C.B.E., Vancouver, B.C.

K. W. TAYLOR, C.B.E., Member of the Executive Committee, Ottawa, Ont.

Officers



J. E. COYNE, President

D. G. MARBLE, C.B.E., General Manager

A. N. H. JAMES, Assistant General Manager

L. F. MUNDY, Secretary

P. D. SMITH, Deputy Secretary

C. I. STUART, Deputy Secretary

L. VIAU, Deputy Secretary

E. FRICKER, Chief Accountant

SUPERVISORS

GENERAL MANAGER'S OFFICE

W. C. STUART	901 Victoria Sq.,	Montreal, Que.
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ATLANTIC PROVINCES

F. M. AYKROYD	901 Victoria Sq.,	Montreal, Que.
---------------	-------------------	----------------

ONTARIO

J. C. INGRAM	85 Richmond St. W.,	Toronto, Ont.
--------------	---------------------	---------------

MANITOBA & SASKATCHEWAN

D. T. MUSKETT	195 Portage Ave. E.,	Winnipeg, Man.
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ALBERTA, BRITISH COLUMBIA, YUKON & NORTHWEST TERRITORIES

N. C. TOMPKINS	475 Howe St.,	Vancouver, B.C.
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Publications



INDUSTRIAL DEVELOPMENT BANK

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ANNUAL REPORT TO THE MINISTER OF FINANCE

AND STATEMENT OF ACCOUNTS

FISCAL YEAR

1956

1351186

INDUSTRIAL DEVELOPMENT BANK

“Whereas it is desirable to establish an industrial development bank to promote the economic welfare of Canada by increasing the effectiveness of monetary action through ensuring the availability of credit to industrial enterprises which may reasonably be expected to prove successful if a high level of national income and employment is maintained, by supplementing the activities of other lenders and by providing capital assistance to industry with particular consideration to the financing problems of small enterprises . . .”

Ottawa, December 3rd, 1956.

The Hon. Walter E. Harris,
Minister of Finance,
Ottawa.

Dear Sir, In accordance with the provisions of the Industrial Development Bank Act, I am enclosing herewith, in duplicate, a statement of the Bank's accounts for the fiscal year ending September 30th, 1956, certified by the Auditors. As in previous years, I am including a classification of the Bank's loans, investments and guarantees, together with a review of the Bank's affairs and statistics relating to the operations of this past fiscal year.

During the fiscal year under review the Industrial Development Bank Act was amended by Act of Parliament. The major feature of the amendments related to a broadening of the scope of the activities of the Bank to permit the extension of assistance to a fairly wide classification of industrial enterprises as compared with the narrower group comprising principally manufacturing industries which had formerly been eligible borrowers.

Loans, Investments and Guarantees. Details of the disposition of applications authorized by the Bank during the last three fiscal years are given in the following tabulation.

NEW APPLICATIONS	During fiscal year ending Sept. 30th,		
	1954	1955	1956
Authorized	125	145	233

APPLICATIONS FROM EXISTING BORROWERS

Authorized	50	69	107
Total Applications Authorized . .	175	214	340

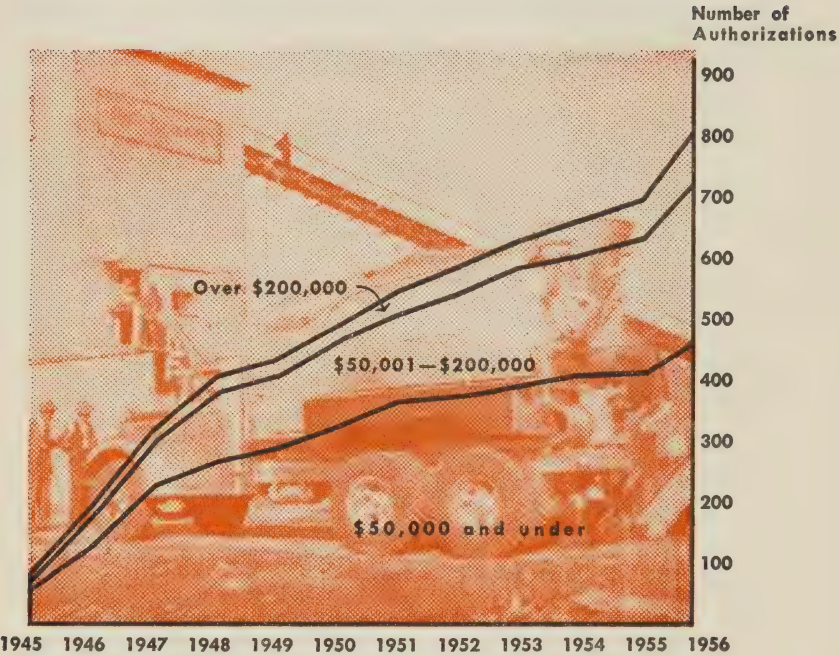
A sharp increase in the number authorized is evident in the above tabulation. This increase reflects in part the amendment to the Act enlarging the definition of an eligible borrower, in part the opening of new offices in Calgary and Halifax and in part the extent of industrial expansion which has been taking place. The general credit situation has been such that we have felt it necessary to scrutinize applications, particularly those for larger amounts, with unusual care and they are considered only when the Bank is satisfied that it would be unreasonable to expect the applicants to postpone or reduce the project. It continues to be the case that in accordance with the terms of the Act, the Bank must satisfy itself that the applicant is unable to obtain financing elsewhere on reasonable terms and conditions.

Because of the general rise in interest rates which has also increased the cost of funds to the Bank through the issue of debentures, the interest rate has been increased during the past year to 6½%.

At September 30th, 1956, 821 accounts were current on which \$52,297,358 was outstanding as compared with 694 accounts current with \$45,370,729 outstanding at September 30th, 1955.

During the fiscal year ended September 30th, 1956, disbursements on loans and investments amounted to \$20,186,742 as compared with \$12,718,377 in the fiscal year 1955, while repayments were \$12,052,046 compared with \$10,770,234 in 1955. The amount of loans and investments outstanding rose from \$44,049,835 at September 30th, 1955 to \$52,184,298 at September 30th, 1956. In addition to providing funds for the \$8,134,463 increase in loans and investments, an amount of \$1,493,036 shown as loans and investments at September 30th, 1955, which had been held temporarily in suspense pending requisition by borrowers, was disbursed. Earnings during the year supplied part of the necessary funds and were supplemented by sales of debentures. The total of debentures outstanding at September 30th, 1956 was \$17,700,000, an increase of \$8,200,000 compared to the position at September 30th, 1955.

Number of Current Authorizations
cumulative to September 30th, 1956

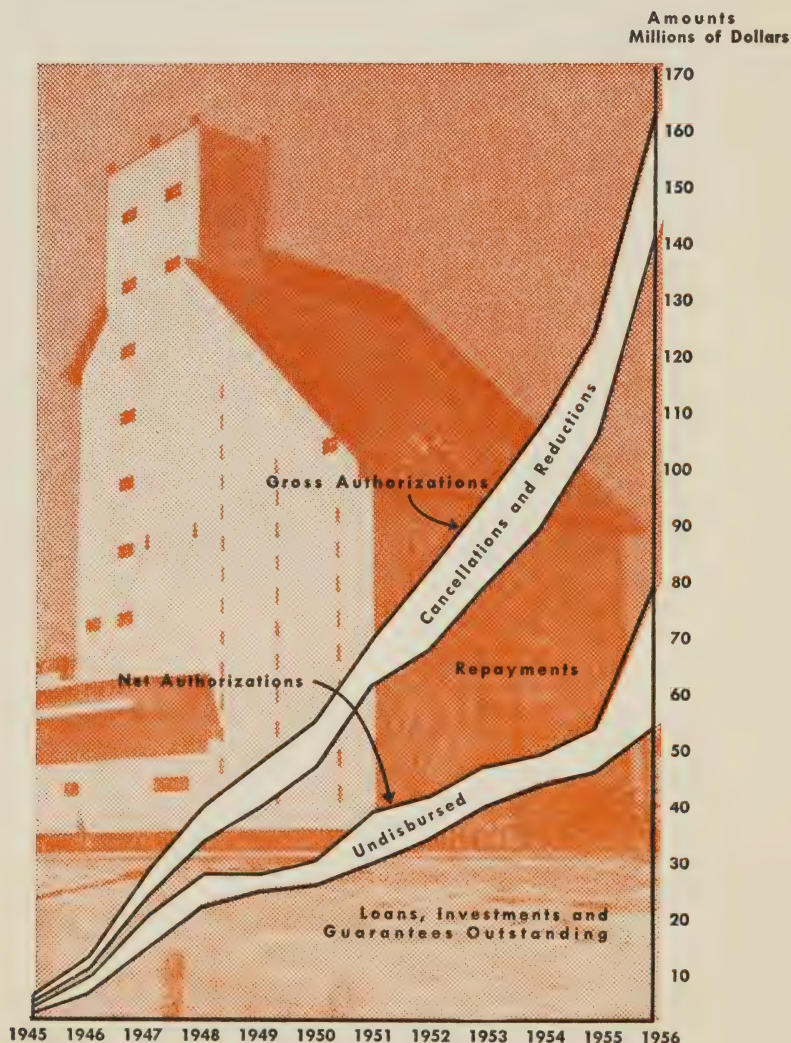


Once a loan has been authorized there is always an interval prior to disbursement during which security documents are prepared and executed. Frequently there is also a time lag between the arranging of financing and the completion of capital projects. At the year-end there was a relatively large amount, \$24,652,181, authorized but not yet disbursed. When unusually long delays in disbursement are anticipated, the Bank generally obtains special remuneration for the value of its commitment in the form of a stand-by fee.

On the following pages are statistical summaries to highlight the Bank's operations during the fiscal year 1956. These are as follows:

- (1) Pages 8 and 9, a classification of the Bank's loans, investments and guarantees by:
 - (a) Industrial Enterprises,
 - (b) By Provinces and Territories,
 - (c) By Size.
- (2) Page 14, a summary of authorizations, disbursements and repayments during the fiscal year 1956 and during the entire period of the Bank's operations to September 30th, 1956.

Gross Authorizations, Repayments and Net Authorizations
cumulative to September 30th, 1956



It will be noted that loans to commercial air services now represent a substantial proportion of the total, indicating that the industry is making considerable use of the facilities made available by the amendment to the Act in 1952. Experience to date in this field of lending has been very satisfactory and we expect a continued demand for our services arising from the need to modernize and expand aircraft fleets.

The geographical analysis reflects substantially increased loans in the Atlantic Provinces as compared with earlier years.

Organization. During the year the Bank opened new branch offices in Halifax and Calgary in order to handle more expeditiously applications from businesses in these areas. The Halifax office looks after the Bank's business in the provinces of Newfoundland, Prince Edward Island, Nova Scotia and New Brunswick, and the Calgary office covers Alberta, the Northwest Territories, Yukon Territory, and British Columbia points adjacent to the Alaska Highway.

During the year there was an increase in the number of the staff from 100 at September 30th, 1955 to 122 at September 30th, 1956.

I would like to record my appreciation of the loyal service and cooperation rendered by the staff during the year.

Statement of Profit and Loss A summary of the profit and loss statements for the year ending September 30th, 1956, and for the previous fiscal year is provided below:

	Year ending Sept. 30/56	Year ending Sept. 30/55	Change over the year
	\$	\$	\$
Revenue	2,703,197	2,229,071	+ 474,126
Operating Expenses	859,745	723,667	+ 136,078
Gross Profit.	1,843,452	1,505,404	+ 338,048
Interest on Debentures	321,009	306,347	+ 14,662
Profit (before undermentioned items)	1,522,443	1,199,057	+ 323,386
Appropriated for Reserve for losses.	200,233	37,325	+ 162,908
Balance (transferred to Reserve Fund).	1,322,210	1,161,732	+ 160,478

Classification of Loans, Investments and Guarantees

(Thousands of Dollars unless otherwise indicated)

BY INDUSTRIAL ENTERPRISES

- | | | | | | | | | | | |
|-----|---|---|---|---|---|---|---|---|---|---|
| 1. | Foods and Beverages | . | . | . | . | . | . | . | . | . |
| 2. | Tobacco and Tobacco Products | . | . | . | . | . | . | . | . | . |
| 3. | Rubber Products | . | . | . | . | . | . | . | . | . |
| 4. | Leather Products | . | . | . | . | . | . | . | . | . |
| 5. | Textile Products (except Clothing) | . | . | . | . | . | . | . | . | . |
| 6. | Clothing (Textiles and Fur) | . | . | . | . | . | . | . | . | . |
| 7. | Wood Products | . | . | . | . | . | . | . | . | . |
| 8. | Paper Products (including Pulp) | . | . | . | . | . | . | . | . | . |
| 9. | Printing, Publishing and Allied Industries | . | . | . | . | . | . | . | . | . |
| 10. | Iron and Steel Products (including Machinery and Equipment) | . | . | . | . | . | . | . | . | . |
| 11. | Transportation Equipment | . | . | . | . | . | . | . | . | . |
| 12. | Non-Ferrous Metal Products | . | . | . | . | . | . | . | . | . |
| 13. | Electrical Apparatus and Supplies | . | . | . | . | . | . | . | . | . |
| 14. | Non-Metallic Mineral Products | . | . | . | . | . | . | . | . | . |
| 15. | Products of Petroleum and Coal | . | . | . | . | . | . | . | . | . |
| 16. | Chemical Products | . | . | . | . | . | . | . | . | . |
| 17. | Miscellaneous Manufacturing Industries | . | . | . | . | . | . | . | . | . |
| 18. | Transportation and Storage | . | . | . | . | . | . | . | . | . |
| | (a) Commercial Air Services | . | . | . | . | . | . | . | . | . |
| | (b) Refrigeration | . | . | . | . | . | . | . | . | . |
| | (c) Other | . | . | . | . | . | . | . | . | . |
| 19. | Generating or Distributing of Electricity. | . | . | . | . | . | . | . | . | . |
| 20. | Mining | . | . | . | . | . | . | . | . | . |
| 21. | Construction | . | . | . | . | . | . | . | . | . |
| 22. | Industrial Buildings | . | . | . | . | . | . | . | . | . |
| 23. | Industrial and Technical Services | . | . | . | . | . | . | . | . | . |
| 24. | Forestry | . | . | . | . | . | . | . | . | . |

The above classification follows the lines of the accepted international standard of classification.

BY PROVINCES AND TERRITORIES

[illegible]

BY SIZE

[illegible]

Gross Authorizations to September 30, 1956

(less cancellations and reductions)

Gross Authorizations During Fiscal year 1956

Current Authorizations at September 30, 1956

Amount outstanding at September 30, 1956

13,659	3,010	7,970	4,047
255	45	220	193
1,129	176	383	129
8,238	775	4,792	3,094
4,479	1,109	2,967	1,927
18,952	4,619	12,159	6,825
7,869	2,075	6,220	4,169
3,261	611	2,063	1,127
16,741	3,498	9,734	5,927
6,179	2,197	4,283	1,232
1,847	503	1,347	925
5,061	1,390	4,489	3,097
10,804	1,800	6,889	4,679
5,219	630	1,499	1,290
10,406	449	5,756	4,240
2,670	235	1,921	1,123
13,471	11,416	11,604	4,618
6,362	672	4,851	3,534
671	671	671	—
210	—	35	26
2,101	2,101	2,101	—
285	285	285	50
353	353	353	45
500	500	500	—
140,722	39,120	93,092	52,297

220	75	178	152
5,610	5,498	5,540	1,921
1,745	400	869	561
3,917	1,346	2,398	613
49,668	11,801	32,957	19,362
38,273	9,118	27,081	17,545
6,232	2,506	4,253	1,427
4,070	11	798	394
8,903	2,232	4,158	2,109
21,797	6,032	14,655	8,068
287	101	205	145
140,722	39,120	93,092	52,297

Current Authorizations at September 30, 1956

Number of credits Amount Authorized

9	37
250	4,212
203	7,829
173	13,217
102	15,647
84	52,150
821	93,092

Up to	\$200,000	24,280
Over	\$200,000	28,017

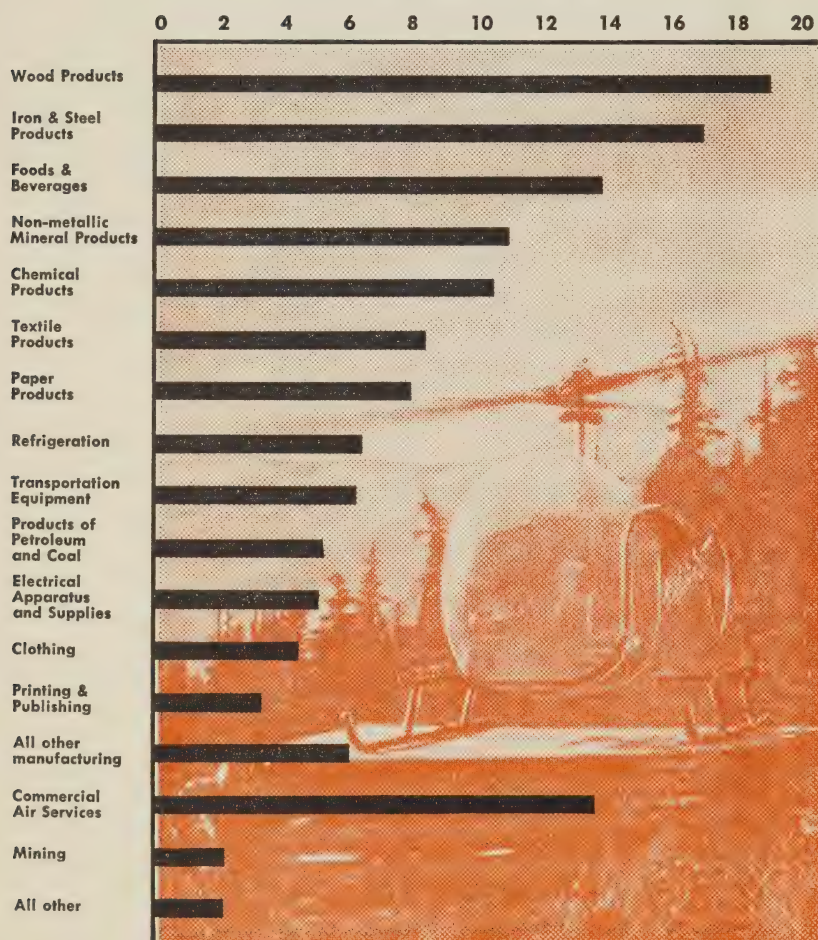
52,297

Industrial Composition of Gross Authorizations

at September 30th, 1956

(less cancellations and reductions)

Millions of Dollars



Income on loans, investments and guarantees for the year amounted to \$2,570,004 as compared with \$2,193,848 in 1955, while all other ordinary revenue from the Bank's operations amounted to \$133,193 as compared with \$35,223 in the pre-

vious fiscal year. Operating expenses increased \$136,078, reflecting the cost of handling the larger volume of business arising in part from the enlarged scope of the Bank's activities, and the opening of the Calgary and Halifax offices. Profit on the year's operations, before appropriation for reserve for losses, showed an increase of \$323,386. Appropriations from profits comprised \$233 covering the net loss on write-offs (less recoveries) during the year and \$200,000 which was transferred to the Reserve for Losses raising it to \$900,000. It was felt that this addition to the reserve for losses was desirable in view of the larger amount of business on our books. The balance of the profits, \$1,322,210, was transferred to the Reserve Fund, which now stands at \$8,706,469.

Yours very truly,

J. E. COYNE, President.

Statement of Assets and Liabilities

ASSETS	As at September 30th,	
	1956	1955
Cash on hand and Deposits with other Banks.	\$ 26,406	\$ 32,166
Loans and Investments	\$52,184,298	
Accrued Interest.	350,837	52,535,135
Property held for sale, including agreements for sale	169,897	44,361,580
Guarantees and Underwriting Agreements as per contra.	113,060	203,060
Other Assets	218,288	1,320,894
	<u>\$53,062,786</u>	<u>\$45,956,884</u>

LIABILITIES

Capital: Authorized, issued and paid up 250,000 shares par value \$100 each	\$25,000,000	\$25,000,000
Reserve Fund	8,706,469	7,384,259
Reserve for Losses	900,000	700,000
Bonds and Debentures outstanding	\$17,700,000	
Accrued interest	213,312	17,913,312
Liabilities under Guarantees and Underwriting Agreements	113,060	9,628,750
Other Liabilities	429,945	1,320,894
	<u>\$53,062,786</u>	<u>\$45,956,884</u>

AUDITORS' REPORT

We have made an examination of the statement of assets and liabilities of the Industrial Development Bank as at September 30, 1956, and have received all the information and explanations we have required. We report that in our opinion it correctly sets forth the position of the Bank at September 30, 1956, according to the best of our information and as shown by the books of the Bank.

J. GRANT GLASSCO, O.B.E., F.C.A.
of Clarkson, Gordon & Co.

JEAN VALIQUETTE, C.A.
of Anderson & Valiquette

Ottawa, November 2, 1956

Statement of Profit and Loss

	Year Ended September 30th,	
	1956	1955
INCOME		
On loans, investments and guarantees	\$2,570,004	\$2,193,848
Sundry	133,193	35,223
	<u>\$2,703,197</u>	<u>\$2,229,071</u>

EXPENSES		
Salaries	\$ 569,716	\$ 497,129
Pension fund, unemployment insurance and group insurance	81,052	66,652
Investigation and supervision expenses	16,592	16,062
Travelling expenses	27,375	14,796
Rental and other costs — leased premises	73,911	50,546
Depreciation on equipment	8,756	7,423
Telephones and telegrams	16,001	14,209
Office supplies and expenses	15,490	10,515
Directors' fees	5,150	5,350
Auditors' fees and expenses	9,000	9,000
All other operating expenses	36,702	31,985
	<u>\$ 859,745</u>	<u>\$ 723,667</u>
Gross Profit	\$1,843,452	\$1,505,404

DEDUCT		
Interest on debentures (including amortization of discount and premium)	321,009	306,347
PROFIT BEFORE APPROPRIATION	\$1,522,443	\$1,199,057
Appropriation to reserve for losses	200,233	37,325
Balance transferred to reserve fund	<u>\$1,322,210</u>	<u>\$1,161,732</u>

RESERVE FOR LOSSES

Balance, September 30, 1955.	\$ 700,000
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ADD

Recovery of debts previously written off.	\$ 2,750	
Appropriation from profit for the year ended September 30, 1956	200,233	202,983
		<u>\$ 902,983</u>

LESS

Bad debts written off.	2,983
Balance, September 30, 1956	<u><u>\$ 900,000</u></u>

RESERVE FUND

Balance, September 30, 1955	\$7,384,259
Amount transferred from statement of profit and loss	1,322,210
Balance, September 30, 1956	<u><u>\$8,706,469</u></u>

Summary of Operations, 1956, 1955 and Cumulative

OPERATIONS	Fiscal year ending Sept. 30		Cumulative Total Since Nov. 1, 1944
	1956	1955	
Gross Loans, Investments and Guarantees authorized	\$39,119,503	\$16,805,969	\$162,844,106
Less Cancellations and Reductions	<u>2,576,084</u>	<u>1,695,888</u>	<u>22,121,817</u>
Net Increase in Loans, Investments and Guarantees authorized	\$36,543,419	\$15,110,081	\$140,722,289
Less Repayments and Write-offs	<u>12,157,279</u>	<u>10,807,559</u>	<u>63,772,750</u>
Increase in Loans, Investments and Guarantees outstanding plus undisbursed	<u>\$24,386,140</u>	<u>\$ 4,302,522</u>	<u>\$ 76,949,539</u>
Disbursements on Loans and Investments	\$20,186,742	\$12,718,377	\$115,272,548
Less Repayments	12,052,046	10,768,389	62,732,916
Less Write-offs	<u>233</u>	<u>39,170</u>	<u>355,334</u>
Increase in Outstanding Loans and Investments	\$ 8,134,463	\$ 1,910,818	\$ 52,184,298
Change in Outstanding Guarantees	<u>—1,207,834</u>	<u>1,186,279</u>	<u>113,060</u>
Increase in Outstanding Loans, Investments and Guarantees	\$ 6,926,629	\$ 3,197,097	\$ 52,297,358
Increase in Undisbursed portion of Loans and Investments	<u>17,459,511</u>	<u>1,205,425</u>	<u>24,652,181</u>
Increase in Combined Total, Outstanding plus Undisbursed	<u>\$24,386,140</u>	<u>\$ 4,302,522</u>	<u>\$ 76,949,539</u>

PROFIT AND LOSS

Income on Loans, Investments and Guarantees	\$2,570,004	\$ 2,193,848	\$ 14,899,630
Interest on Government of Canada securities	1,327	—	1,471,989
Profit on sales of Government of Canada securities	—	—	—159,540
Profit on sales of other securities	—	—	804,933
All other income	<u>131,866</u>	<u>35,223</u>	<u>301,852</u>
Total Income	\$ 2,703,197	\$ 2,229,071	\$ 17,318,864
Less Operating expenses	859,745	723,667	6,087,882
Interest on I.D.B. debentures ⁽¹⁾	<u>321,009</u>	<u>306,347</u>	<u>1,269,179</u>
Net Profit	<u>\$ 1,522,443</u>	<u>\$ 1,199,057</u>	<u>\$ 9,961,803</u>
of which			
Appropriated to reserve for losses	\$ 200,233	\$ 37,325	\$ 1,255,334
Transferred to reserve fund	<u>\$ 1,322,210</u>	<u>\$ 1,161,732</u>	<u>\$ 8,706,469</u>

WRITE-OFFS

Bad debts written off (net) ⁽²⁾	\$ 233	\$ 37,325	\$ 355,334
Reserve for losses at end of period	\$ 900,000	\$ 700,000	\$ 900,000

⁽¹⁾ After amortization of premium or discount on sale of debentures.

⁽²⁾ Bad debts written off, less recovery on bad debts written off previously. The net write-off is debited to the reserve for losses account.

INDUSTRIAL DEVELOPMENT BANK

Incorporated under the Industrial Development Bank Act, 1944

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GENERAL MANAGER'S OFFICE — MONTREAL, QUE.

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E. FRICKER, Chief Accountant

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